

Zaire: SPECIAL REPORT

How Mobutu built up his \$4bn fortune

Seen at first as a bastion against communism, Zaire's president proceeded to siphon off vast resources while the west looked the other way. Jimmy Burns and Mark Huband investigate

A stone pedestal before the private driveway of the Villa del Mar commemorates Sir Winston Churchill as a *citoyen d'honneur* of Cap Martin. Off Avenue Churchill a shaded cul-de-sac leads to the French Riviera residence of Mr Mobutu Sese Seko, the Zairian president, which serves as a monument of a different sort.

Iron gates, and a sign warning unwanted visitors that guard dogs may be snarling on the other side of the wall, hide the villa, which a local estate agent estimated as being worth FF750m-FF1.30m (\$1.3m-\$2.2m).

"It's the children that we see the most," said the owner of the nearby newsagent. "The seven- and eight-year-olds who come in here with wallets full of FF500 notes, and buy up everything. Even the children are richer than me. But we know how he got all that money, and we wouldn't like it if he came here to retire. We would object. The people of France would object."

The Mobutu story is about the venality and corruption of one of Africa's most eccentric dictators, and how and why he persecuted others to help him during his 32-year rule. It is about personal enrichment and the plundering of the nation, and the international complicity that made it possible.

An FT investigation has found that in spite of clear evidence from early in his regime that Mr Mobutu misappropriated and wasted funds, financial institutions, with the blessing of their governments, continued to give aid, little of which found its way to the ordinary people of Zaire.

Property is the most visible part of his overseas asset structure. The Villa del Mar is the largest of a cluster of luxury homes dominating a small hill leading down to the Mediterranean.

It is one of 20 identified properties held by Mr Mobutu and his entourage, from Belgium to Ivory Coast, from Switzerland to Morocco, with a minimum estimated value of £23m (\$37m), according to estate agents' estimates and property records obtained by the FT. His and his family's property portfolio also extends to a hotel and residences in South Africa, as well as a coffee plantation in Brazil.

Obscuring the extent of investments financed essentially with funds embezzled from the Zairian state, much of the property is held in the names of front companies, business associates and family members not using the Mobutu name.

The FT has established that the largest concentration of properties is in the wealthy suburbs of the Belgian capital, Brussels.

The true size of his fortune, amassed during three decades of plunder, is said by US Treasury and IMF officials to have peaked at around \$4bn in the mid 1980s. But his fortune has been trimmed as the cost of staying in power has grown.

Mr Mobutu himself was a creature of the cold war. In 1960 Patrice Lumumba became prime minister of what had previously been Belgian Congo and began courting the eastern bloc. The US Central Intelligence Agency reacted by considering Lumumba's assassination and sought an alternative leader as a bastion against communism. It found the 30-year-old army chief Joseph-Désiré Mobutu, whose associates arrested and killed Lumumba without CIA assistance later the same year.

"The US stepped in at independence because the place was a plum financially," said Mr John Stockwell, former CIA chief of base in Zaire. "At that time people were impressed by Mobutu. In 1960 nobody was prepared for what happened [later]."

For more than 20 years western

presidents, generals, spies and bankers made no attempt to curb his excesses, but saw him as a necessary ally against communism. Only in the post-cold war years has Mr Mobutu found his fortune insufficient to retain his grip on power.

In 1965 Mr Mobutu took over a country rich with enormous reserves of copper, cobalt, diamonds, timber, as well as vast tracts of land suitable for producing coffee and coca.

Between 1970 and 1994 Zaire

received \$8.5bn in grants and loans from western donors.

Export earnings for the same

period, less a five-year gap for

which figures are not available,

were \$10.7bn, according to the

Revolutionary Movement for the

Revolution.

A World Bank report containing data for the period 1980-87 obtained by two US researchers, Mr Steve Askin and Ms Carole Collins, revealed that in 1986 the presidency received \$15m, though the World Bank document shows that Mr Mobutu spent \$94m and the political institutions \$172m that year, revealing the extent of other sources of funds.

A 1989 World Bank study

showed \$205m of the year's state

expenditure was appropriated for

spending on what the Central

Bank of Zaire itemised as "other

goods and services".

"Given these sorts of numbers it would be hard to argue much was achieved in Zaire, either in economic or social terms, as a result of the aid," an internal World Bank report stated this week.

Throughout his rule Mr Mobutu has used the promise of

access to Zaire's wealth as a

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"Mobutu used a patronage net-

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Year Total Bilateral Multilateral

1982 347.4 256.4 91.0

1983 311.0 193.7 117.3

1984 302.6 208.3 93.3

1985 305.8 205.5 96.3

1986 448.3 296.3 162.0

1987 626.8 336.4 288.4

1988 578.1 402.7 175.4

1989 635.4 434.2 201.2

1990 902.3 708.4 182.5

1991 476.7 342.6 134.1

1992 288.1 164.2 103.9

1993 178.4 99.0 79.4

1994 245.8 197.2 148.4

Source: OECD

of state for African affairs who had daily contact with him. "He had to pay a 10,000-strong presidential guard. And he seems to have trusted a lot of people who stole from him, including his own children. He would give them \$m in cash for investment, and it would be stolen."

"In the first few years Mobutu received millions of dollars from the CIA both before and after he seized power," said Mr Stockwell. "\$30m-\$50m of CIA and US government aid money could well have gone through Mobutu's hands."

Following the outbreak of the Angolan civil war in 1975, money intended for the US-backed Unita forces in Angola was delivered to Mr Mobutu, who the CIA hoped would channel it to the rebels in support of their war against the Moscow-backed MPLA party.

"When Angola was coming under Cuban influence Zaire was considered a fortress that could be trusted. The policy of the west, led by the US, was to help Mobutu as much as possible," said Mr Leo Tindemans, Belgian prime minister from 1974 to 1978.

But Mr Mobutu quickly began to exploit his strategic importance to serve the system of embezzlement he was creating. "Early on we channelled \$1m via Mobutu intended for the Angolans. But Unita came to us soon after to tell us: we're hungry. We can't do anything. None of the money had gone to the Angolans, and our efforts to get Mobutu to pay the money on were futile," said Mr Stockwell, who ran the CIA's covert operation supporting Unita forces. "The CIA knew all along he was pocketing huge amounts of money."

Mr Mobutu had access to far larger sums than those that were provided by the CIA, on one occasion refusing a \$25,000 gift from the CIA station chief in Kinshasa.

base, Mr Lawrence Devlin. Presidential appropriations granted by parliament officially accounted for 30 to 50 per cent of the budget for capital investment from the late 1960s, reaching \$85m a year in 1988.

In addition to this presidential appropriation from parliament, which had no influence on how it was spent, Mr Mobutu received further funds for "political institutions" including the Mama Mobutu Foundation and the ruling Popular Movement for the

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NEWS: ASIA-PACIFIC

Job worries in Japanese finance

By Gillian Tett in Tokyo

Japanese securities companies have slashed their staff numbers by over a quarter during the past five years, as competition has eroded their business, a survey has shown.

The numbers employed in the sector fell almost 30 per cent in the five years to September 1996, with some medium-sized companies such as Cosmo, Daichi and Kokusai seeing cuts of over 40 per cent, according to a survey by Nikkei newspaper.

The reductions are a striking indication of the financial pressure that has dogged Japan's securities industry since the collapse of the 1980s bubble - not least because Japanese institutions have traditionally been reluctant openly to shed staff.

However, Japanese banks, by contrast, barely reduced their staff at all in the period - in spite of the fact that the banking sector fell into a

large loss last year as a result of widespread loan difficulties, and is set to face further severe pressures this year ahead of the planned financial deregulation, or Big Bang.

Consequently, the discrepancy is likely to fuel expectations that financial deregulation and growing competition could either lead to new job losses among Japan's giant banking industry, or leave it far less competitive than foreign rivals.

And in recent weeks the ailing Nippon Credit Bank has become one of the first large Japanese banks to indicate seriously that it hopes to cut staff numbers - by about 30 per cent - as part of its recently announced restructuring plans.

Mr Naotaka Saeki, newly appointed head of Japan's banking federation and president of Sanwa Bank, insisted last week there was little immediate likelihood of mass staff reductions among the banks

yet. "I do not think that firing lots of people is inevitable," he said, adding that that big banks would be able to survive the Big Bang reforms by expanding into new areas of business.

In particular, he suggested, the planned removal of barriers between securities businesses and banking businesses should ensure that banks could find new profit sources by moving into the securities industry.

Nevertheless, he added that this process would force many Japanese banks to become far more specialised - and admitted that Big Bang would also usher in more foreign competition. "Big Bang means the total opening up of the market. The situation is that foreigners will come to Tokyo," said Mr Saeki, who added that it was "a possibility" that Japanese financial companies might also be bought by foreigners.

Dateline Tokyo: Neighbourhood police, Page 7



Saeki: no mass sackings in view

HK Democrats plan legal challenge

By John Riddings in Hong Kong

Hong Kong's Democratic party plans to take legal action against the territory's China-backed legislature after it passed its first law on Saturday, a senior party official said yesterday. "It is definitely our will to proceed with a legal challenge, and we are examining the technicalities," said Mr Anthony Cheung, vice-chairman.

The threat from the Democrats raises the prospect of a legal showdown over the provisional legislature

before the transfer of sovereignty on July 1. Mr Cheung said the party did not recognise the provisional legislature, which will replace the existing Legislative Council at the handover, and the passage of a law breached Beijing's promise that there would not be parallel legislatures during the transition.

Saturday's session completed the third reading of a bill on public holidays. According to the of the provisional legislature, which was selected by a 400-member committee, laws must be read and passed three times

and then undergo a confirmation process immediately after the handover.

A challenge by the Democrats on the public holidays bill could mark the first of a series of legal confrontations. In this case, the challenge may be aimed at the timing of the legislation rather than the provisional legislature itself. "It is not the nature of the law that is the problem, it is the fact that the provisional legislature is acting before July," said Mr Cheung.

Ms Rita Fan, president of the provisional legislature, for

dismissed the challenge from the Democrats, arguing that the legislature was empowered to pass legislation to be effective on July 1. "All along we have been advised by our legal adviser," said Ms Fan. "We've been assured all we have done is within the law."

The Democrats have signalled they will also launch a more fundamental challenge to the provisional legislature, which they argue has no foundation in the Basic Law, the constitution for post-handover Hong Kong. A possible trigger for this challenge is laws on civil liberties, expected to be announced this week.

Initial proposals for the laws included a tightening of police controls over demonstrations and stronger regulations concerning the registration and funding of political parties. Although the government in waiting has signalled it might make concessions on areas of the legislation, the Democrats have indicated they will challenge the laws in the courts after the handover.

In the mammoth's shadow, Page 15

Eerie silence before the Australian budget

The first budget presented by Australia's new conservative federal government last August prompted protests by public servants, students and Aboriginal groups.

The second, to be delivered tomorrow, looks like being a more harmonious affair. Mr Peter Costello, the federal treasurer, has indicated the budgetary savings being sought are "nowhere near" the A\$8bn (US\$6.2bn) worth announced last August for the 1996-97 and 1997-98 financial years.

The last budget was pre-ceeded by a spate of leaks, as ministers tried to soften the impending blow. This time, aside from a few weekend stories relating to child-care allowances, the silence has been almost eerie.

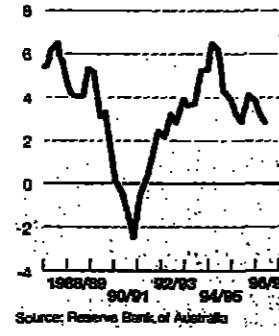
This muted backdrop does not reflect a great shift in the economy itself. Australia's growth rate stalled after the March federal election last year. By late 1996, growth was little more than 2 per cent on an annualised basis.

In recent months, there have been signs of a pick-up, spurred by three interest rate cuts in the latter half of 1996. But business leaders and economists are united in describing the improvement as "patchy". A business survey published today by National Australia Bank, the country's largest commercial bank, suggests the underlying pace of annual growth is only 2.5-3 per cent.

Nevertheless, most private sector economists think matters will improve further in the coming months and many believe growth could reach 4 per cent by late-1997.

Australia

Non-farm GDP (year ended % change)



The Reserve Bank seems to agree. "The lower interest rates now in place should be supportive of interest-sensitive areas of activity... Other factors favourable to growth at present include the strong US economy, moderately rising commodity prices and a historically good level of business profitability in many industries," it said last week.

The budget numbers themselves, meanwhile, will benefit from last year's rigour. Most analysts expect the "underlying" deficit (before privatisation proceeds) in 1996-97 to be around A\$8bn-A\$8.5bn, or about 1.7 per cent of gross domestic product. This would be significantly higher than the A\$8.6bn forecast in August, largely because of a shortfall in company tax receipts already advised by the treasurer.

But, as the August budget measures through and higher growth kicks in, analysts say the "underlying" deficit should still dip to around A\$8bn in 1997-98 and perhaps A\$1.5bn in 1998-99.

Nikki Tait

Asian Development Bank meets in Fukuoka, Japan. Peter Montagnon reports

ADB targets private project finance

The Asian Development Bank has launched a concerted campaign to finance more projects jointly with private capital markets with a target of tripling such outside contributions to \$1bn this year.

Mr Richard Wada, its senior official in charge of co-financing, said the bank wanted to increase the leverage on its own resources, especially in private sector projects where its lending is restricted by charter.

Where co-financing has previously brought in an extra 50 cents for each dollar lent by the bank, the ratio should now rise to 70 cents. Most ADB co-financing has hitherto involved other official lenders such as aid and export credit agencies. Its new drive reflects a worldwide push by governments to encourage private sector infrastructure development in the developing world.

Among ADB projects for which private finance will be sought in coming months is a \$750m coal-fired project in China's Fujian province sponsored by the Lippo group of Indonesia and Bechtel Enterprises of the US. Mr Wada said.

Details are also being finalised on a \$700m power transmission project in Pakistan in which the National Grid and Midlands Electricity, both of the UK, will be the main investors.

The ADB would invest

some capital and a loan large enough to attract support from international banks and bond investors in these projects. It has also increased its participation in venture capital funds for Asia, mainly to provide equity for infrastructure development. Late last year it was involved in the

power project near Calcutta in which BHP of Australia and AIG, the US insurance company, are sponsors.

Now it is setting up a fund with Prudential, the US insurance company, to provide so-called mezzanine capital, or subordinated debt, which will lower the risk to outside lenders in private sector infrastructure projects.

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NEWS: INTERNATIONAL

S Africa turns to private sector for jails

By Roger Matthews
In Johannesburg

The South African government is set to make its biggest breakthrough in relations with the private sector, since the African National Congress took power three years ago.

Tender documents will be released shortly asking companies to bid for the financing, construction and operation of seven prisons at an estimated cost of over R1.5bn (\$80m).

If the project is successful it is likely to be the first of many, and could allow the government to withdraw completely from financing further construction.

The contracts will put South Africa among the world leaders in privatising prisons, and could be the first of many infrastructure developments in other sectors, especially transport, to attract foreign bidders.

South Africa's prisons were severely overcrowded when the ANC took office and numbers have since been rising by about 10,000 a year.

Escapes are endemic, with an average of over 100 prisoners, from petty thieves to murderers, breaking free each month.

The prison population hit



Group 4 of the UK is likely to be among those bidding to build and run seven new prisons in South Africa

125,000 at the end of December, is now 134,000, and is expected to reach 147,000 by the end of next year.

Current facilities in 253 jails allow for a maximum of 97,000 prisoners, and the

armed car hijackings. Public anger at the relatively low levels of arrests and convictions is also mounting and has led to calls for a state of emergency.

Mr Sipo Mzimela, the correctional services minister, said the prison building programme anticipated greater police success, and viewed the seven new prisons, with their 10,000 population, as "a drop in the ocean". In the longer term he was looking for 50,000 more prison spaces at a cost of up to R12bn.

"This is a great opportunity for foreign and local companies because their returns are guaranteed by the government," Mr Mzimela said.

The companies will have to finance, design and operate the new jails, and commit themselves to an agreed programme of health care, hygiene, and rehabilitation. Revenue will come from a fixed daily payment per prisoner.

Mr Goltz Wessmann, special adviser to the minister, said the daily per capita cost to the government of keeping prisoners was R58. Companies would also have to train staff, and not poach existing prison officers. "We do not intend to end up competing against ourselves," he said. "We also do not expect

there to be any escapes, and operating companies will be penalised should any occur."

The performance of companies will be monitored by prison inspectors, headed by a judge, and provision made for the suspension of the contract if conditions fall below set standards.

Mr Wessmann said every international company involved in the custodial business was interested in the South African project "because it is probably the biggest there is in the world".

Among those likely to bid are Group 4 and Premier Prison Services from the UK, Wackenbut from the US, and companies from Australia, Canada and Taiwan. They will be expected to form partnerships with South African companies. The first contract could be awarded at the end of September, with work starting immediately afterwards.

Mr Mzimela said he had been appalled by conditions in many South African jails. "On my first tour of inspection I was so shocked I ordered several to be closed. I said I did not care where the prisoners went, so long as they were taken out of those jails."

"Soon after that I started talking about getting the private sector involved, because I was convinced we would never have the money to do what was necessary. But it was a new concept, and initially people did not know what I was talking about."

But with 80 per cent of the minister's budget swallowed by salaries, and much of the rest going on other operating expenses, the ideological opposition to what some members of the ANC viewed as privatisation began to evaporate.

"We have had absolutely no problems with the unions on this," said Mr Mzimela.

"And people understand that if a serious programme of rehabilitation is to be introduced we must have the space and facilities to carry it out."

He has also demilitarised the prison service. "It was in effect a military department. Afrikaans was the only language used, and its primary purpose was to enforce strict discipline. Prisoners could not ask questions and warders relied on force."

Two of the new prisons would be "super maximum security" with prisoners locked in their cells for 23 hours a day. Mr Mzimela was also investigating the possible purchase of prison ships, and converting disused mining facilities.

INTERNATIONAL NEWS DIGEST

Iran quake toll at 2,400

The death toll from Iran's earthquake rose to nearly 2,400 yesterday, according to reports from the Iranian news agency, IRNA.

The number of injured was 6,000, it said in a report from Mashhad, capital of the quake-stricken north-eastern province of Khorasan. Mr Ali Mohammed Besharat, interior minister, said in Tehran that initial estimates put the extent of destruction in the most heavily damaged cities of Qaen and Birjan in eastern Iran at R120bn (\$677m).

A United Nations official flew to the scene to assess damage and to report on aid needed to cope with the aftermath of the earthquake, which registered 7.1 on the Richter scale. Tehran radio said the quake – Iran's worst since 1990 when about 35,000 died – hit 200 villages, Reuter, Quen

CVRD consortium lays plans

The winning consortium in the first stage in the privatisation of Companhia Vale do Rio Doce (CVRD), the world's largest iron ore miner, meets for the first time today to discuss the composition of CVRD's board of directors and the company's management team.

A 41.7 per cent stake of voting shares was transferred to a consortium led by Companhia Siderúrgica Nacional (CSN), the Brazilian steelmaker, at the Rio de Janeiro stock exchange last week after the final injunction suspending the sale of shares in the company was overturned in a Rio de Janeiro court.

The consortium paid R\$3.34bn (US\$3.14bn) for the shares, after outbidding a group co-led by Anglo American of South Africa and Grupo Votorantim of Brazil in an auction last Tuesday. The other members of the winning consortium are NationsBank of the US, Opportunity Asset Management, an investment fund and four Brazilian pension funds.

Geoff Dyer, São Paulo

Mediterranean nations gather

The World Bank Economic Development Institute today brings together more than 400 policymakers, experts and representatives from private sector and non-governmental organisations from Mediterranean developing nations in a week-long conference in Marrakesh to encourage regional discussion of development issues.

The Mediterranean Development Forum, co-sponsored by the Moroccan government, is part of the World Bank's effort to expand its role in the Middle East and North Africa, an area where it has played an important part in promoting economic liberalisation.

The forum will address the challenges of the Euro-Mediterranean partnership agreements signed or being negotiated between the European Union and southern Mediterranean countries and consider ways to attract investment.

Roula Khalaf, London

Deadlock dismays Israelis

Israelis are dismayed by the deadlocked state of the peace process, according to an opinion poll published yesterday. The poll by Tel Aviv University said 71 per cent of Israeli Jews considered the peace process was temporarily stalled while 22 per cent said it had "ceased altogether". Some 82 per cent were "concerned or very concerned" at the state of the peace process.

Avi Machlis, Jerusalem

Cuba sees US hand behind insect plague

Claims of biological warfare against food crops reach UN. Pascal Fletcher reports from Havana

The long and mutually of hostility and dirty tricks waged against it by the "imperialist" US. Cuba and the US has spawned numerous allegations and counter-allegations, some more bizarre and exotic than others, over the last 35 years.

In their latest exchange, Havana has formally accused the US government at the United Nations of carrying out a "biological attack" against the communist-ruled island by releasing a plague of tiny, juice-sucking bugs that are now reportedly ravaging food crops in three Cuban provinces.

Washington last week denied the Cuban charges as "outrageous" and "deliberate disinformation".

Cuba is presenting the incident as another example of a campaign

haemorrhagic dengue fever.

In a statement published this week, Cuba said a crop duster aircraft used by the US State Department for anti-drugs operations repeatedly released a "white or greyish cloud of unknown substances" while flying 10,000 feet above Cuba last October. The emission was seen by the pilot of a nearby Cuban passenger aircraft.

The Cuban accusation, presented to Mr Kofi Annan, United Nations secretary general, in March said the incident preceded the "strange and suspicious" appearance two months later in Matanzas province, beneath the US aircraft's route, of an insect pest known as *Thrips palmi Karay*. This is present in other Caribbean countries but has

previously been unrecorded in Cuba.

"Cuba has once again been the victim of a biological attack," the Cuban government said, adding that its investigations allowed it to reach this conclusion "with a high degree of certainty". The tiny, millimetre-long insects had affected vegetable crops in three provinces, Havana said.

Not surprisingly, the US version of the October flight differs from the Cuban story. Washington said the US "narco-crop eradication" aircraft was en route to Colombia and had obtained clearance to fly over Cuba.

The US statement said the crop duster pilot, noting the proximity of the Cuban airliner, "followed prudent and safe aviation

procedures by marking his aircraft's location with smoke" using his aircraft's smoke generator.

Mr Jim Pollard, a UN Food and Agriculture Organisation plant protection expert, visited Cuba in April after Cuba requested FAO help in dealing with the *Thrips* outbreak. He confirmed the presence of the insect pest, which can affect such crops as potatoes, tomatoes and beans.

But Mr Pollard said it was "very difficult" to pinpoint with certainty the origin of new infestations. The *Thrips* pest, originally from Asia, had arrived in the Caribbean 10 years ago and could be found in most of the region, he added. He did not want to comment on the specific Cuban accusation.

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Transmitted light microscope of alpha terophthal (Vitamin E). Michael W. Davidson/© Photo Researchers Inc.

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ZURICH RE

NEWS: UK

Road hauliers to be invited to send lorries free of charge when fire-damaged tracks reopen

Eurotunnel plans freight experiment

By Charles Batchelor,
Transport Correspondent

Eurotunnel plans to start an experimental freight shuttle service through the Channel tunnel between England and France for the first time in six months when the fire-damaged south tunnel is reopened on Wednesday.

Road hauliers will be invited to send their lorries through the tunnel free of charge pending the start of a commercial service in mid-June.

The resumption of freight shuttles depends on the

Anglo-French safety authority approving the use of the open lattice design for truck carriers. The design has been condemned by the UK fire service.

But Eurotunnel is confident that with its own improvements to the shuttle design - which are less radical than those called for by the UK fire service - and new safety procedures unveiled at the beginning of last month, the safety authority will give the go-ahead for services to

1996. Repairs to the damaged

tunnel have been going on since the fire aboard a Calais-Folkestone shuttle on November 18. Limited passenger shuttle services, Eurostar trains and long-distance freight services have been run, but the cost of repairs and lost revenues has been put at just over £200m (£324m).

Passenger numbers have recovered since the fire, though the nearly 144,000 cars carried in April were down on the 154,500 carried in the same month of

1996. But Eurostar passenger

numbers rose from 405,000 to 486,000 over the year while freight volumes rose from 179,000 tonnes to 242,000 tonnes.

Eurotunnel's proposals for improving safety include stopping trains as soon as a fire is discovered rather than attempting to drive them out, installing water sprinklers and providing smoke hoods for truck drivers and train crews.

There will be more thorough checks of lorries and departing trains, and fire monitoring teams will sit alongside the train control

staff, allowing better co-ordination.

Transponders will be installed on trains to identify their location more closely and the retractable supports used to steady shuttle wagons during loading will be removed.

Indications that a support had been accidentally lowered led to the burning train being halted in the tunnel.

The relaunch of freight shuttle services is intended to reassure shareholders and investors ahead of attempts to win their approval for a financial restructuring of the

debt-laden company. Shareholders are due to vote on the restructuring at an extraordinary meeting in July, while the full syndicate of 225 banks will consider the plan before the end of the year.

The restructuring would involve converting about £250m of the company's £25.5m of debt into shares. The banks could end up with between 45.5 per cent and 60.6 per cent of the enlarged equity. However, shareholder groups have threatened to campaign against the deal.

UK NEWS DIGEST

Sinn Féin office risks security

Ministers were under pressure yesterday to seek a change in House of Commons rules after Sinn Féin, the political wing of the Irish Republican Army, made clear it would exploit a loophole in regulations to set up an office in parliament and use its other facilities. The prime minister's office said the allocation of office space to Mr Gerry Adams and Mr Martin McGuinness, who were elected by voters in Northern Ireland, was a matter for the Commons authorities. But government officials acknowledged the political and security implications of giving Sinn Féin unrestricted access to the Houses of Parliament while the IRA continues its terrorist campaign.

Sinn Féin confirmed Mr Adams and Mr McGuinness would not take the oath of allegiance to the Queen as MPs. The guide to parliamentary procedure says an elected representative who refuses to take the oath to the Speaker must not try to enter the Commons chamber. However, the individual is entitled to "all other privileges of a member, but not to his salary". John Kampfner

■ TRADE

Barriers 'impede small exporters'

The majority of small exporters are handicapped by indirect trade barriers, according to a survey by the British Chambers of Commerce. The study of 394 small companies says 54 per cent had encountered some form of trade barrier, ranging from tariffs and local taxes to unwieldy customs procedures and even bribery. The BCC has called on Sir David Simon, the minister for trade and competitiveness in Europe, to help small exporters overcome unfair trade barriers inside and outside the European Union. Wolfgang Münchau

■ MILLENNIUM 'BOMB'

Government to issue guidance

The government will today launch a six-volume set of guides designed to help British businesses deal with the Year 2000 computer crisis, the so-called "Millennium bomb" which experts predict will cause chaos because computer systems are not programmed to recognise dates beyond 1999.

The plans are believed to be the first attempt by a government organisation anywhere in the world to provide detailed guidance on the issues. "The Year 2000 crisis presents the biggest challenge likely to face commercial and public sector organisations during the next few years," says the government's Central Computer and Telecommunications Agency. Some estimates suggest that up to 80 per cent of all computers and software may not cope with the date change. Paul Taylor

■ LLOYD'S

Investors urge rethink on capital

An influential group representing thousands of individual investors in Lloyd's is urging the insurance market to rethink its plans for substantially raising the levels of capital required to support underwriting. A formal response being drafted by the Association of Lloyd's Members to proposals published last month describes the suggested two-year period for introducing the changes as "wholly unrealistic". Christopher Adams

Work-time directive signals radical change

By Andrew Bolger,
Employment Correspondent

Implementation of the European Union working time directive is likely to be the catalyst for a radical overhaul of British working patterns, according to a study by Warwick Business School's industrial relations research unit.

The Department of Trade and Industry said yesterday it was "a bit early" for the government to say how it planned to implement the directive, which was unsuccessfully challenged last year by

the Conservative government at the European Court of Justice.

However, the directive seems certain to be enacted through statutory instruments rather than primary legislation, which would take up time in Labour's crowded first parliamentary programme.

The directive gives all employees - except those in sectors such as transport and the offshore oil industry - the right to refuse to work more than an average 48-hour week, and lays down the length of rest periods and rules for night working. Employees will

also have three weeks' paid annual holiday, rising to four weeks in 1999. The Warwick study, published jointly with Industrial Relations Services, the employment research group, says attention had so far focused on the 48-hour week provision, with an estimated 3.5m employees now working longer.

However, it says the directive could have most immediate impact on annual holidays. "As many as 3m full-time employees enjoy less than the four weeks' annual leave which becomes the standard in 1999, and an additional 2.4m

part-time employees probably enjoy less than the pro-rata equivalent," the study says.

"Large numbers - 1.3m full-time and perhaps as many as 2m part-time employees - also have less than the 15 days (or the pro-rata equivalent) which is the entitlement governments can introduce as a three-year transitional measure."

The study says the directive could be a "blessing in disguise" if it encouraged employers to take the management of working time more seriously - in particular, the

"long-standing problem of long hours in the UK". Rather than being used exceptionally, the study says overtime working is endemic in many organisations, with the main rationale being the maintenance of the regular weekly

work week. The report also says both management and unions need to consider the implications of the encouragement which the directive gives to consultation and negotiation over working time.

Time for change? IRS, 18-20 Highbury Place, London N5 1QP. £20

Concern over growing imports

By Andrew Taylor,
Construction Correspondent

Concern that rising construction demand and a strong pound will lead to increased imports will have been heightened by government figures showing a surge in building material shipments last year.

The import bill for building materials, according to the environment department, rose by almost £400m to £5.39bn, increasing the sector's trade deficit by 8 per cent to £1.59bn.

The deficit, which had narrowed considerably after peaking at £2.84bn in 1995, rose in spite of a fall in the price of timber, which,

including wood products, accounts for 30 per cent of industry imports.

A £279m rise in building material exports to £3.8bn was insufficient to prevent the deficit from increasing. Demand for private sector residential and commercial development has caused concern that the sector could face capacity constraints if activity rose too swiftly.

Construction output is forecast by the industry to rise at about 3 per cent per year until the turn of the century. Demand, it says, will be fuelled by lottery funds, millennium projects, the government's private finance initiative and increased domestic private

sector investment. The government and industry sponsored Construction Procurement Group cautioned earlier this year that plant closures and redundancies had left some suppliers ill-prepared to cope with big increases in demand.

Mr Malcolm Dodds, director of the CPG, said: "The trade deficit in building materials has narrowed considerably over the past decade mainly as a result of domestic suppliers improving their competitiveness."

"This improvement could be eroded unless suppliers maintain their competitiveness in an increasingly global construction market. They will not have been

helped by the rise in the value of sterling."

A concern to the CPG will be the rise in imports of higher value manufactured products. The deficit on air conditioning units more than doubled last year to £76.8m while the deficit on central heating boilers increased by almost 32 per cent to £104.2m.

Builders' ironmongery, such as door knobs, hinges and other small items also had a trade deficit of £211.5m, emphasising the decline in Britain's ability to compete on a range of basic manufactured products.

Nails and screws had a deficit of £1m while the deficit on electric wires rose by

54 per cent to £93m. The deficit on decorative tiles, mostly imported from Italy and Spain, increased by 40 per cent to £159.6m.

Other trade surpluses last year included wall paper, £179.4m; paint and varnish, £94.5m; and ceramic and plastic sanitaryware, £65.2m.

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MANAGEMENT

Out of the corporate soup

How far can outsourcing go? There was a time when getting rid of technical operations such as information technology seemed revolutionary. Not any more. According to enthusiasts, functions close to the heart of an organisation, such as human resources, are going the same way.

Is the virtual company becoming the norm? The question can be taken a step further. In all kinds of industries companies are forming alliances - often informal - for all kinds of purposes. Within companies it is not unknown for equity to be created in specific projects for the benefit of the teams working on them.

Is outsourcing part of a wider movement, in which companies - including virtual ones - are breaking down into a kind of corporate soup?

Not necessarily. A great deal depends on the nature of the industry and the corporation itself. But let us step back to consider the views of the enthusiasts such as Richard Smith, head of outsourcing at Price Waterhouse, the accountancy firm.

The limits to outsourcing, Smith says, are set by the readiness of management to be radical. The starting point is to decide what is your core activity. Everything else in the organisation can then be defined as support.

The question is how to minimise the cost of that support, subject to the usual caveats, such as quality and the risk of things going wrong. In particular, it must be decided whether support functions, from payroll to purchasing, are peculiar to the organisation or generic. If the latter, they are better handled by a specialist.

In Smith's view, this is clearly the next step in the evolution of corporations. Take a company such as Unilever. Several decades

ago Unilever aimed to capture all the value along its supply chain. It owned palm plantations in Africa, a shipping fleet to bring the oil to Europe, mills and factories to turn it into soap and margarine, and retail chains to sell it.

It gradually became obvious that the company did not have expertise in all those industries. Out went the plantations, the fleet, the mills and the shops, leaving only the core activities of product manufacturing and brand management.

Today, Smith says, the same process is being applied across internal functions rather than industries. A good example is human resources.

Some parts of human resources, such as career development, cannot be trusted to outsiders. They represent, as Smith puts it, part of the soul of the company. But, says his Price Waterhouse colleague Alan Little, take an aspect of human resources such as disciplinary problems. In practice, it turns out that 85 per cent of the solutions to these problems apply equally across industries and companies.

He draws an analogy with call centres. Experience shows, apparently, that only 15 per cent of telephone queries to the average company cannot be handled by frontline staff. It follows, Little says, that the other 85 per cent are better handled by a specialist, rather than by a sprinkling of average performers around the organisation.

The question then is how far you can boil down the definition of your core activity. Smith cites one of his clients, BP, as a radical example.

At one time, Smith says, BP worked on the premise that its expertise lay in finding oil. It is



now asking whether its real specialism might be striking agreements with host governments. In that case, even its geologists might turn out to be a mere commodity.

BP denies that it is thinking along such extreme lines. But it has done some radical things in

its time, such as the outsourcing to Arthur Andersen of the accounting activity for its North Sea operations about five years ago.

However, there is a paradox. BP does not only find oil and lift it. It ships it in its own tankers, refines it and sells it in its own

retail outlets. It even runs vast complexes to convert the by-products into chemicals. The company which is cited as radical in its processes turns out to be profoundly old-fashioned in its business portfolio - like the Unilever of 20 years ago.

There is a further paradox. The idea that companies are dissolving into corporate soup is rather at odds with the fact that all those outsourced functions are being taken over by a handful of operators: by Arthur Andersen, EDS and Price Waterhouse itself. These are becoming corporate giants in their turn - a new breed of full-service conglomerate.

There is an obvious conclusion. Companies may become hard to recognise as they swap business functions around. But they show remarkable durability as the preferred model for doing business.

Perhaps this should not surprise us. Companies are not merely the sum of their functions. They are also legal and social entities. There may be an element of time lag here, since legal frameworks are slow to evolve. But there is more to it than that.

The virtual company, after all, is scarcely a novelty. Many textile and shoe companies have worked that way for years. They design products and market them, but have long since stopped making them. The same applies to project engineers, shopping mall developers and all those who make a living organising the work of others.

Conversely, the BP example is a reminder that in some industries, the virtual model does not

apply to a strictly limited extent.

The carmakers still

assemble cars, although many of them have long since outsourced their components.

In other words, it all depends. The outsourcing movement is alive and well. But so is the corporation, virtual or not.

Chris Cole, 50, joined WSP as an engineer in 1972. Fifteen years later he became managing director. When the

company floated on the USM in 1988 Malcolm Paul, 46, joined the board as financial director. WSP specialises in all aspects of engineering from design to construction. The annual turnover is £54m.

Malcolm: "When I first met Chris he was a client of mine, which meant fees. He wanted me to help him acquire equity before WSP went public so he was obviously ambitious.

Accountants don't mind helping clients who want to achieve something, but I eventually wanted to be in charge of my own destiny.

There is still a Monty Python image of the boring accountant which I've desperately tried to escape. It's the same for Chris with his engineering background, but instead of people thinking 'yawn yawn', they assume he's the guy in only clothes carrying a spanner. It's interesting that neither of us is like our stereotype.

We've both learned enough about the other's subject to repeat it to a third party and sound well-informed. I know a couple of buzzwords - like 'fan', 'coil' and 'vertical transportation', which is the engineer's term for a lift. Chris now knows about gearing - which he talks a lot about - and just about knows how to buy a company. I tell Chris I've only taught him the first chapter in case he gets too big for his boots.

He always wants things explained to the nth degree, which gets terribly tiring. I know instinctively whether something is right; he'll insist on reading the fine print.

I'm not the kind of accountant who makes an issue

of being one penny out. I don't sit in the back counting the money while he's running around up front. It's been important to us that we've had equality from the start."

Chris: "It was Malcolm's idea to take the company public. In a corporate arena we had the mechanism for growth which we couldn't have achieved in a partnership. It also gave us more money and the ability to exit in a responsible and timely manner.

As a partner no bigger ever wants to buy your shares, whereas in a public company the shares are a marketable currency. A lot of professional companies like ours don't develop after going public because they don't have the confidence and acumen to acquire other businesses. That's never been a problem with us.

In the 1980s it was easier to grow because the whole construction industry was going mad. I think Malcolm could see the potential, which is one of the reasons he came on board. Also, I needed a good financial adviser at the time and Malcolm understood the business.

If we'd tried to build the company organically it would have taken far too long. We didn't have 50 years to grow it so we used the stock market to realise our ambitions.

One of the reasons for our success has been Malcolm's decisiveness. He's very good at cutting the crap, especially when dealing with lawyers and accountants. They find his approach incredibly arrogant yet he's the only person I know who can get a six-hour meeting down to under two hours.

It's great having someone like him on board, working through all the detail and - which is unusual for an accountant."

Fiona Llewellyn



PARTNERS

WSP

Chris Cole, 50, joined WSP as an engineer in 1972. Fifteen years later he became managing director. When the

company floated on the USM in 1988 Malcolm Paul, 46, joined the board as financial director. WSP specialises in all aspects of engineering from design to construction. The annual turnover is £54m.

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I'm not the kind of accountant who makes an issue

Today's students want to be management consultants, says Diane Summers

Dreamers and shakers

What do final-year students want to be when they grow up? At one time something vaguely altruistic or at least glamorous might have appeared at the top of the list of dream jobs. These days students fantasise about being management consultants.

For the second year running, consultants McKinsey and Co, Boston Consulting Group and Andersen Consulting have been ranked the three most desirable employers by final-year business and engineering students at European universities.

A total of 4,700 students at 56 institutions in 13 countries were questioned by Universum, the Stockholm-based media and communications company, for its annual survey.

The consultant effect is not restricted to Europe. When Universum carried out a comparable survey in the US recently, it got a similar result - McKinsey and BCG topped the list, although Goldman Sachs, the US

investment bank, crept in third. Just three years ago computer companies dominated the dream jobs league in Europe. Hewlett-Packard was top dog, and IBM and Microsoft featured in the number four and five slots of the European survey. By this year they had dropped to slots nine, 15 and 11 respectively. Apple, meanwhile, has plummeted to the bottom, from 12th position in 1995 and 48th last year.

Future employability is what graduates are looking for most, according to Universum. Michał Kalinowski, vice-president, says: "The old definition of job security has been replaced with a new definition. Today, job security means future employability - in other words, students want to work for a leading company that will be a good reference for their future career."

| Europe: the most popular employers | |
|------------------------------------|-------------------------|
| RANK | COMPANY |
| 1 (1) | McKinsey & Co. |
| 2 (2) | Boston Consulting Group |
| 3 (3) | Andersen Consulting |
| 4 (5) | Procter & Gamble |
| 5 (6) | Nestle |
| 6 (4) | BMW |
| 7-10 (9) | Unilever |
| 8 (7) | Siemens |
| 9 (8) | Hewlett-Packard |
| 10 (11) | ABB |

New companies to make the top 50 list this year include: General Electric; Audi; Scandinavian Airlines; Esso/Exxon Chemical; and Deloitte Touche Tohmatsu. Companies that have dropped off the bottom include: Renault; Norsk Hydro; Bosch; Statoil; and Heineken.

Behind management consultancy, which 14 per cent of the sample said was their ideal industry, come engineering (10 per cent) and consumer goods (8

per cent). Least popular sectors appear to be consumer electronics (1 per cent), insurance (1 per cent), and pulp and paper (zero).

The multinational company seems to be the most popular type of organisation to work for (39 per cent). Students quoted having colleagues of other nationalities, adapting to foreign cultures and business practices, and working in a foreign language as particular benefits. Large national or local companies (15 per cent) come second, while the public sector and government agencies (1 per cent) are the poor relations with the least votes.

And what do graduates most want to get from their first employer? Opportunity to work on a variety of tasks is top. Meanwhile, below-average salary is rated the most unattractive characteristic. Indeed, slavering for below-average reward is seen as even less acceptable than working with morally doubtful products or services.

A cosy office cat is let out of the bag



Lucy Kellaway

Maybe in ultra-enlightened California companies really do think this way. But in Britain I fear a different response. If women find work life a doddle in comparison with home, then the obvious thing for an employer is to give them even more to do and find ways of making their work lives that little bit harder.

Until last week I thought this was our secret. But now the cat is out of the bag. Arlie Russell Hochschild, an academic at Berkeley, has done research on how women behave at home and at work and has written a book about it. It turns out that Frederick Taylor's ideas about streamlining production apply more to domestic tasks than to work ones.

This most definitely rings a bell. I have just done a straw poll of working mothers and found that at home they rarely make a wasted movement. None of them ever goes up or down stairs without carrying stray objects. A few minutes is long enough to get the clothes out of the washer and put them in the drier. Five minutes is plenty to polish the children's shoes. And a spare two hours - that is enough to make a start on painting the bathroom.

At work it is quite different. A brief pause in the work flow means it is time for a biscuit and an aimless gossip. A slack hour or two is an invitation to go to the hairdressers. Hochschild's conclusions are, to put it politely, eccentric. She says companies should be worried. They should reflect on whether their employees are becoming one-sided, narrow and uncreative. And if family lives fall apart as a result of skiving at the office, then that is apparently bad too. Unhappy employees are not the most productive. It is in employers' interests to help make home life more tempting.

Everyone hates voicemail. It has just been voted the number one way that a company can irritate its customers in a survey by Real Business magazine.

BANX

Given how many companies have substituted voicemail for staff, it is surprising that no one has done any switch. Are the savings on telephonists' salaries really greater than the revenue lost when angry customers defect to a competitor offering human beings at the other end of the line? I doubt it.

Another new practice that is causing irritation is junk fax. A businessman phoned me the other day incoherently with rage at the fact that every Monday morning he gets to work to find that a whole roll of fax paper has been eaten up by junk

fax - anything from business travel offers to conferences on management training. Thirsting for revenge, he posts these faxes back to the sender in an envelope without a stamp, gleefully imagining the company forking out for postage.

This strikes me as a feeble way of getting your own back. It assumes that the faxes are being sent out by real people - rather than by programmed machines - who care one way or another about how their faxes are going down.

However, his response underlines what a bad way unsolicited faxes are of getting new customers. If people are cross before they even see your message, the prospect of it getting anywhere beyond the bin seems rather slim.

Want to write a management book, but feel that every conceivable idea has already been taken? Don't worry: Tao is the answer.

I've just been sent an advance copy of *The Tao of Sales* by Dr E. Thomas Behr. It is full of essential tips such as: "Like water, be fluid and supple; work in harmony with all things, not in opposition." Behr, who lives on a "pre-revolutionary farm" in New Jersey, sounds like a New Age nutter.

But take heart. It is not essential to be New Age yourself, nor to know the first thing about Chinese philosophy. Take *The Tao of Coaching* by Mark Landesberg, published last year. The author is a straight-laced partner of McKinsey who has written a perfectly straightforward book about coaching. His publishers obviously realise that the T-word sells, a lesson others should follow.

Many subjects have not yet received the Tao treatment. As far as I know, *The Tao of Re-Engineering* and *The Tao of Bookkeeping* are bestsellers waiting to be written.



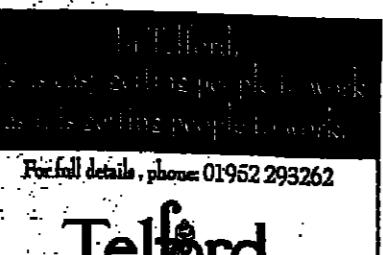
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FINANCIAL TIMES COMPANIES & MARKETS

Monday May 12 1997

Week 20



IN BRIEF

FDA report hits Chiron shares

Shares in Chiron, the US biotechnology company, fell 1% to \$16 on Friday after a US Food and Drug Administration advisory committee found there was insufficient evidence to show the efficacy of Myotrophin, a treatment for Lou Gehrig's disease. The stock later recovered to close at \$19, down 5%. Page 18

NPI restructures \$1bn Asian portfolio
National Provident Institution, the UK mutual life assured, has carried out one of the largest ever programme trades in a move to restructure its \$1bn portfolio of Asian shares. Page 18

Debonair to seek Easdaq listing
Debonair, the Luton airport-based low-cost airline, is to seek a listing on Easdaq, the pan-European exchange. The company is expecting to be floated by October. Page 18

Meltex shares sink further
Meltex, the UK Aim-listed provider of computer support services, warned it would incur a large loss in the first half. The company announced in March that it made a pre-tax profit of £120,000 (£194,400) in 1996, but warned that trading in the current year was below budget. Page 18

Halifax rejects private brokers' plan
Halifax building society is to turn down a request from a private client stockbrokers' group that wants it to re-organise the auction of members' shares when it floats next month. The UK group wants 25 per cent of shares being auctioned to be kept for private investors. Page 18

Tring founder to seek board's removal
One of the founders of Tring International, the UK budget music company started by two former schoolfriends, is seeking to remove the board. Since flotation in February 1994, Tring has issued two profit warnings. Page 18

Skypharma arm gets drug approval
Skypharma, the pharmaceutical company, will announce today the first successful product launch by Jago, its Swiss subsidiary acquired for £128m (£207m) last year. Roche, the Swiss pharmaceutical group, has received regulatory approval in Switzerland for Madopar-Dt, which Jago developed. Page 18

GKN in Thailand move
GKN Automotive Asia Pacific Holdings, part of GKN's driveline division, has formed a joint venture in Rayong province, Thailand, to make components and assemble constant velocity joints and driveshafts. Page 18

Interflora board ousted
A bitter fight for the future of Britain's flower bouquets turned against the board of Interflora, the association of independent florists. A group of rebel florists ousted the entire board of the 74-year-old organisation in protest against plans to restructure its prices. Page 18

Silver looks for fresh lift
The silver market, which has been stuck below the \$5 a troy ounce level, will look for fresh impetus with the publication of Gold Fields Mineral Services report this week. The group will present its annual world silver survey on Wednesday. Page 21

Slovenian bourse set for hard times
A modest pick-up in domestic demand helped lift the pessimistic mood of the Slovenian stock market last week, but local brokers warn that the recovery could be short-lived. The Bank of Slovenia has refused to soften the measures introduced earlier this year to control foreign capital inflows and emerging market investors are shunning Ljubljana. Page 22

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DMG bosses may get bonus

Senior managers could be entitled to millions despite London operations posting 1996 loss

By John Gapper in London

Deutsche Morgan Grenfell, the London-based investment bank, is likely to disclose that a group of its senior managers became entitled to multi-million pound bonuses last year although the group recorded a loss in its UK subsidiary.

A number of directors are thought to have accumulated gains of several million pounds from a phantom option scheme which pays bonuses according to internal financial performance measures.

Mr Michael Dobson, DMG chief executive, is believed by some executives to have been entitled to about £7.5m (£12m).

Deutsche Morgan Grenfell Group, the London company that is the main corporate vehicle for DMG, is expected to report a downturn in 1996 as a result of losses on hidden investments in its asset management arm made by Mr Peter Young.

DMG Group's accounts will also include the substantial cost of building an equity broking arm from scratch. Its

bond division, which is the most profitable part of its operations, is included in the accounts of Deutsche Bank.

The disclosure could reignite controversy among investment banks, and within Deutsche Bank, over the salaries and bonuses paid by DMG to recruit and retain investment bankers.

It is also potentially awkward because of the background of disruption and losses in its fund management arm. Deutsche has estimated the total cost of the Peter Young affair at DM 1.2bn (£730m), including losses and compensation.

The phantom option scheme is being included in the 1996 accounts for tax reasons. The individual gains likely to be shown include rewards for several years, some of which date back to the scheme's first year in 1990.

The bonuses will be paid out over several years and cannot be claimed immediately. DMG is thought to have taken legal advice on what it will have to disclose in the accounts, which

have to be filed soon at Companies House.

Mr Dobson, who would not comment on his own gain, said the phantom option scheme rewarded "about 200" senior managers in DMG according to measures including return on equity, which averaged 30 per cent between 1993 and 1995.

"There may be a presentation issue for us, but this is a long-term incentive scheme that has served the bank well over several years. The fact that it had to be crystallised last year because of tax is coincidental," he said.

The accounts of Morgan Grenfell & Co, its merchant banking arm, which were lodged at Companies House last November, show a sharp rise in remuneration. A dozen employees earned more than £1m each in 1995, compared with just one in 1994.

Morgan Grenfell's two highest-paid employees for 1995 both earned £2.1m, while three more staff earned between £1.5m and £2m. The group started recruiting staff from other investment banks during 1995 to build up its operations.



Michael Dobson is believed to be entitled to £12m

General Electric arm takes Spanish cable stake

By David White in Madrid

A US consortium including General Electric's financial arm GE Capital Services and Bank of America has become the largest shareholder in Cableuropa, a Spanish cable TV company.

Cableuropa said the deal would help to consolidate a leading position in the sector in Spain, which besides TV broadcasts would involve telephone and interactive services for households and corporate clients.

It estimated it would be able to generate investments of some Pta360bn (\$2.5bn) for Spanish cable projects. The deal marks the latest stage in the expansion in Europe of GE Capital, which has made several acquisitions.

The consortium - Spain Telecommunications (Spanco) - was formed by the third US partner, Callahan Associates International, headed by Mr Richard Callahan, former president of US West International.

The US partners' combined 32.5 per cent stake was bought from three Spanish electrical utilities, Endesa, Unifin Fenosa and Hidrocantábrico, for an undisclosed sum.

The deal marks a further breach in the would-be strategic alliance between Endesa and Banco Central Hispano, which until now had equal 20 per cent shares in the cable venture.

It follows a parting of ways between the two groups in the bidding to form Spain's second fixed-line telephone operator, in which Endesa is allied with Stet of Italy and BCI with the French-German-US GlobalOne grouping.

The other shareholders in Cableuropa are Banco Santander with 27.5 per cent, the Ferrovial construction company and media venture Multitel. Spainco is also to take 25 per cent stakes in Cableuropa's subsidiaries.

Cableuropa is involved in cable TV companies operating under provisional licences or on a trial basis in six Spanish cities, and is competing for 10 local licences.

Last year it obtained a court order halting the operations of rival venture Cablevision on the grounds of unfair competition by the Telefónica telecommunications group.

FTSE All-Share moves to real time

By Martin Dickson

The FTSE All-Share Index, the main benchmark for measuring fund managers' performance in UK equities, will be calculated every minute of the trading day from today. Until now, it has been updated only at the end of the day's trading.

The index is owned and managed by FTSE International, a joint venture between the Financial Times and the London Stock Exchange. The move reflects increasing demand for the monitoring of portfolio risk throughout the day.

The All-Share Index, which was launched in 1982, covers some 98 per cent of UK quoted stocks. Britain's first "real time" or constantly updated, share index was the FTSE 100, founded in 1984, which consists of the largest UK companies by market capitalisation.

It was created because the futures and options markets needed an index on which to

base the move by the All-Share to real time calculation.

It will not lead to the creation of derivatives products because the large number of index constituents makes it impractical.

From tomorrow's edition, the FT will report the hourly movements of the All-Share in the FTSE Actuaries Share Indicate table which appears on the London stock market reports page. This table will include hourly movements in the FTSE SmallCap index, which covers the smaller constituents of the All-Share.

We are also moving our statistics on the FTSE All-Share index, to this table, and are adding coverage of the FTSE 350 index ex-Investment Trusts, and the All-Share index ex-Investment Trusts.

To make space for these improvements, we have

removed coverage of the FTSE 350 industry baskets. Readers seeking further information on these baskets should contact FTSE International on 0171 442 1210.

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rules safeguarding co-operatives from predators.

Questions about the failed bid from Mr Regan and his Lanica Trust were raised at the Co-operative Retail Society's annual general meeting in London on Saturday.

Mr Peter Rowbotham, CRS chairman, said afterwards there had been worries about the threat posed by future predators. "We assured delegates that we are taking the appropriate defensive measures," he said. The CRS, the biggest single shareholder in the CWS, plunged £14m into the red last year.

Delegates expressed concern over the results, but backed the management's plans to triple investment to £200m.

But there is no question of a merger between the CWS, with sales of £3.8bn, and the CRS, with sales of £1.7bn. Mr Rowbotham denied there was a rift between them, but said "we cannot afford to start talks which could prove fruitless". Delegates left with two

main impressions - that the CWS should concentrate on making its own business more profitable, and that it should take the necessary steps to protect its mutual status.

Meanwhile it emerged that Mr Regan and his partner Mr David Lyons were behind County Produce, an agricultural marketing co-operative that joined the CWS last year.

The CWS said it would have had no influence on the bid and that it checked with the Registry of Friendly Societies that County was a bona fide co-operative before accepting its application.

Shares in Lanica Trust, Mr Regan's investment vehicle, remain suspended while a stock exchange inquiry into dealing in the shares continues. Lanica also faces a civil action from the CWS.

Mr Regan and Mr Lyons are vigorously contesting a private prosecution by the CWS for aiding, abetting, counselling or procuring theft and for handling stolen property.

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COMPANIES AND FINANCE

Robert Fleming Securities undertakes one of largest ever programme trades for UK mutual

NPI restructures \$1bn Asian portfolio

By George Graham,
Banking Correspondent

National Provident
Institution, the UK mutual
life insurer, has carried out
one of the largest ever pro-
gramme trades in a move to
restructure its \$1bn portfolio
of Asian shares.

Robert Fleming Securities,
the UK based broker which

carried out the programme
trade for NPI, executed more
than 11,000 individual trades
in order to reshuffle the
portfolio of shares in nine
countries, including Australia,
Japan and Hong Kong.

Programme trading
involves a bulk order for
buying and selling a number
of different shares. In this
case more than 250 individ-

ual securities.

The order is put out to ten-
der for an all-in price, which
helps to reduce the cost of
the trade, especially in Asian
markets where commission
rates can be high. Some
Asian markets are also rela-
tively illiquid, thus increasing
the risk of a price fall as
soon as the manager starts
trying to sell.

Although the trade was
handled by Robert Fleming
in London, many of the indi-
vidual purchases and sales
were carried out by its asso-
ciate Jardine Fleming, a
leading Asian equity broker.

The restructuring of the
portfolio follows the arrival
of NPI earlier this year of
two new Asian fund managers,
Mr Lloyd Bradford and

Mr Geoffrey Randells,
recruited from Goldman
Sachs Asset Management.

The programme trade
allowed them to imprint their
own stamp on the port-
folio.

"When a new team comes
on board, the portfolio
should reflect its own
views," said Mr Bradford. "If
performance suffers now, we

can't blame it on the previous
manager."

The NPI portfolio now has
an increased Hong Kong
weighting, and also applies
the new team's criteria for
selecting individual equities:
management strength,
defendable franchises,
secure income streams and
attention to the rights of
minority shareholders.

Interflora directors cut off at the roots

By Richard Wolfe

A bitter fight for the future
of Britain's flower bouquets
yesterday turned decisively
against the board of Interflora,
the association of inde-
pendent florists.

A group of rebel florists
succeeded in ousting the
entire board of the 74-year-
old organisation in protest
against plans to restructure

At an EGM yesterday,
about 950 florists voted mar-
ginally in favour of dese-
lecting 11 directors. The board
reacted by calling for a
postal ballot of all 2,600
members, to be held within
the next two weeks.

But the real battle was
over the soul of the UK's
florist shops, which are fac-
ing

intense competition.
Interflora currently co-
ordinates flower deliveries
across the country, providing
computer terminals to
florists and clearing pay-
ments between its members.

The board had proposed to
lift the florists' annual sub-
scription charge from £300 to
£1,750, (£483 to \$2,800), while
lowering the cost of each
transaction from £2.99 to
60p.

Interflora directors had
wanted to revise prices as
part of a wide package of
measures to harmonise the
service across the UK.

The board was also investi-
gating ways of converting
Interflora into a limited com-
pany, with shares distributed
to members, and a pos-
sible flotation at a later date.

Rival organisations are
understood to be recruiting
Interflora members within
the UK.

Interflora rejects claims
that it is trying to create a
chain of florist stores.

Interflora is a non-profit-
making organisation, which
reported revenues of £12m
last year from sales of £80m.

By Christopher
Brown-Humes

The UK-based Halifax
building society will this
week turn down a request
from private client stockbrokers
who want it to reorganise
the auction of members' shares
when it floats next month.

The Association of Private
Client Stockbrokers and
Investment Managers
(Acipsim) wants 25 per cent
of the shares being auctioned
to be set aside for private
investors.

Halifax, which is headed
by Mr Mike Blackburn, chief
executive, says this would
not secure the best price for
its members, and the society
is pressing on with plans
to sell the shares to

institutions.

Alliance & Leicester, the
former UK building society
which converted to a bank
last month, arranged three
auctions for 600,000 custom-
ers who wanted to sell their
shares immediately. But they
generally did less well than
they would have done by
selling in the market, receiving
an average of \$33 per share; this
compares with Friday's close of \$26p.

Halifax says there is nothing
to stop retail brokers taking
part in its auction, but accepts
there would be problems for
execution-only brokers knowing
what price to bid. To get round this
difficulty, Acipsim wants brokers
to be able to buy at the
weighted average price of
that paid by institutions. But

Halifax says this would
contravene the rules of the
auction, where shares go to the
highest bidders, and says it
wants the best possible price
for its members.

Halifax is due to float on
June 2, when its 7.6m mem-
bers can expect to receive as
much as £6 per share, an
average of nearly £2,000
each.


Mike Blackburn preparing for flotation in June

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Skyepharma's Jago gets drug approval

By Roger Taylor

Skyepharma, the UK
embryonic pharmaceutical
company, will announce
today the first successful
product launch by Jago, its
Swiss subsidiary, since last
year's £128m (\$206m) acquisi-
tion.

Roche, the Swiss phar-
aceutical group, has received
regulatory approval in Swit-
zerland for Madopar-DR,
which is a reformulated ver-

sion of its established drug
for Parkinson's disease.

The improved controlled
release version developed by
Jago allows two drugs to be
taken in a single pill which
gradually releases them at
different speeds.

Skyepharma said, "this is the
first time we have managed to
combine two drugs with
different release profiles in
one pill."

However, the company
acknowledged that the finan-

cial revenues from the prod-
uct would not be substantial,
with royalties between 3.5
per cent and sales in Swit-
zerland at about \$5m.

Worldwide sales are cur-
rently \$140m, and Skyepharma
said it expected Roche to roll out the
marketing of the reformulated drug
through Europe and Latin
America. Madopar-DR is not
approved or marketed in the
US.

"Initially we might receive

annual revenues of about
\$200,000, which could eventu-
ally rise to \$6m", said Mr
Tim Ryan, head of corporate
communications.

Skyepharma, founded in
1995 by Mr Ian Gowrie-Smith
formerly head of Medeva,
the pharmaceuticals group,
reported a loss of £14.5m for
the 17 months ended 1996.

It specialises in developing
controlled release formula-
tions of existing drugs for
pharmaceutical companies.

Debonair to seek Easdaq listing

By Michael Skapinker,
Aerospace Correspondent

Debonair, the low-cost UK
airline, is to seek a listing on
Easdaq, the pan-European
exchange. Mr Franco Man-
cassola, Debonair's chairman,
says flotation should
take place by October.

Mr Mancassola says Debo-
nair is in advanced negotia-
tion with McDonnell Dou-
glas of the US about the
purchase of 10 MD-95 air-
craft, with options on a fur-
ther five.

He says he has been
assured that production of
the aircraft will go ahead
when McDonnell Douglas is
taken over by Boeing of the
US.

Debonair, which began
operations last year, is
largely owned by US invest-
ors, although registered in
the UK. It says it needs a
European listing to fund
future development and to
comply with EU ownership
rules. These stipulate that
EU airlines must be at least
50 per cent European-owned.

The airline's decision fol-
lows the announcement by
Ryanair, the Irish low-cost
carrier, that it is to float
later this month on the
Dublin stock exchange and on
Nasdaq in the US.

Debonair was established to
take advantage of the lib-
eralisation of the EU aviation
market, which was com-
pleted on April 1. The airline
expects to make a pre-tax
loss of £13.9m (\$22.5m) in
the year to March 1997, followed
by a £4m pre-tax profit in
1997-8. It expects profits to be

£16m in the year to March
1999.

The airline flies between
Luton in the UK, Barcelona,
Madrid, Rome, Munich, Düs-
seldorf and Copenhagen. It
has a fleet of six leased Brit-
ish Aerospace 146-200s, with a
seventh due for delivery this
month.

The leases on these air-
craft expire towards the end
of the decade and Mr Man-
cassola, who held executive
positions in several US air-
lines, says the MD-95 will
eventually replace them.

Because most of Skyepharma's
clients demand secrecy, it
has been unable to reveal
details of its products in
development, with investors
taking much on trust.

As well as royalties for

the product, Skyepharma
will manufacture the
product for Roche. This will
initially be done at its facility
in Basle, but may be trans-
ferred to its newly acquired
plant in Lyon in France.

One of the founders of Tring
International, the budget
music company started by
two former schoolfriends, is
seeking to remove the
board.

Since flotation in Febru-
ary 1994 at 115p, Tring has
issued two profit warnings.

Mr Mark Frey and Mr
Philip Robinson acted as
chief executives at the
float. Mr Frey, who resigned
his executive post in Octo-
ber 1995 and his non-execu-
tive role in December, is
now aiming to oust Mr Rob-
inson and return to the
board.

Mr Frey and another
founder investor, Mr Jay
Chernow, have asked for an
emergency meeting. They
want to replace Mr Rob-
inson; Mr Joe Bollom, non-ex-
ecutive chairman; Mr Steve
Porter, finance director; and
Mr Robert Leigh, non-ex-
ecutive director.

Chargeurs International changes its name to Chargeurs

CHARGEURS
wool

CHARGEURS
fabrics

CHARGEURS
INTERLINING

CHARGEURS
PROTECTIVE FILMS

CHARGEURS

Chargeurs International
changes its name to Chargeurs

On May 7, 1997, the Ordinary and Extraordinary General Meeting of Chargeurs International, chaired by Eduardo Malone, approved the accounts of the company for the 1996 fiscal year. The meeting voted to distribute a dividend of FF 7.00 payable in cash on June 25, 1997, plus a tax credit of FF 3.50 for eligible shareholders and renewed the terms of office of Philippe Giscard d'Estaing and Eduardo Malone.

During his presentation, Eduardo Malone drew particular attention to the following points of note in 1996:

• Enhanced globalization: the Group's international expansion moved up a gear with the start-up of production at two new factories in China (wool processing and garment interlining), the creation of industrial operations in Eastern Europe (wool-based fabrics) and the acquisition of interlining companies in North and South America.

• Substantial reduction in debt: debt was halved, down by FF 1.9 billion.

• Profits confirmed: FF 136 million

The Chairman emphasized that since the beginning of the year, Chargeurs International has concentrated its major efforts on refocusing its businesses, as well as on productivity and international expansion. These measures, backed by favorable exchange rates, suggest a promising outlook for 1997. Barring a downturn in this situation, the Group is therefore set to maintain its upward trend in earnings in 1997.

The Ordinary and Extraordinary General Meeting also voted in favor of changing the name of Chargeurs International to CHARGEURS. When the Chargeurs Group was demerged in June 1996, Chargeurs International was chosen as the temporary company name for the new unit grouping together the former Group's industrial activities.

CHARGEURS is specialized in four businesses: wool processing, wool-based fabrics, garment interlining and adhesive films for protection of industrial surfaces.

THE KOREA GOLDEN GATE FUND
1a, rue Théophile Delon
L-1445 LUXEMBOURG
R.C. B 5021

CONVENING NOTICE

The Shareholders are convened hereby to attend the

ORDINARY MEETING

of the Company, which will be held at the head office, on May 28, 1997 at 11.00 am.

AGENDA

1. Submission of the Management Report of the Board of Directors and of the Report of the Statutory Auditor.

2. Approval of the annual accounts as at December 31, 1996.

3. Discharge to the Directors and Statutory Auditor.

4. Re-election of the Directors and Statutory Auditor.

5. Miscellaneous.

Only the Shareholders registered in the Shareholders Register on May 1, 1997, will be authorized to participate at this Meeting.

If Shareholders are unable to attend, they could participate by Power of Attorney. This Power must be received by the Company not later than 5 days prior to the Meeting, at the following address:

The Korea Golden Gate Fund

PO Box 736

L-2017 Luxembourg

Resolutions at the Meeting of Shareholders will be passed by a simple majority of the votes of those present or represented.

THE BOARD OF DIRECTORS

The Financial Times plans to publish a Survey on

Liechtenstein

on Tuesday, June 10

For further information, please contact:

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Seu Parceiro em Mercados
Emergentes e de Capitais
ING BARINGS

FINANCIAL TIMES
MARKETS
THIS WEEK

At Home in Emerging
and Capital Markets
ING BARINGS

Global Investor / Philip Coggan

No more such a cult following

It may seem an odd time to raise the subject, with the FTSE 100 index setting all-time highs last week, but it could be time for the cult of the equity, which has held sway in the UK since the 1960s, to lose some adherents.

Gilts made up 23 per cent of UK pension fund portfolios in 1977, according to the WM company, but that had dropped to 6 per cent by 1989 (10 per cent if you add in overseas bonds). Even with the rebound in fixed income portfolios in the 1990s, the total bond component in 1996 was just 14 per cent.

However, a number of factors may be conspiring to get pension fund managers more interested in bonds again. The first is last week's surprise move by

Gordon Brown, the new UK chancellor, to cede interest rate decisions to the Bank of England.

Over the long run, the hope is that giving control over rates to the Bank will result in lower inflation, which should be good for equities.

But the corollary is that, in the short run at least, base rates will be higher than they otherwise would have been (politicians being assumed to err always on the side of lower rates). That should be bad for equities, both by increasing corporate borrowing costs and increasing the speculative attractions of sterling.

The Labour party may also have further pro-bond measures up its sleeve. A popular assumption is

that the government may act to reduce the tax advantages of dividends, to encourage companies to reinvest profits in the business. The likely route is a reduction in advance corporation tax, the "tax credit" which can be reclaimed by non-taxpaying investors.

That would reduce the income of pension funds with two probable results: funds would seek to replace the income foregone with bonds, and a loss of income might leave some funds with an actuarial shortfall, forcing companies to increase their payments to make up the deficit. That would hit profits and further reduce the attraction of equities.

Structural changes may also be forcing schemes towards bonds and away from equities. Occupational schemes which offer defined benefits, linked to earnings, are becoming less popular, because employers have to make up any shortfall; defined contribution schemes, where employees take the investment risk are becoming widespread.

Furthermore, the restructuring that has occurred in UK industry means that the balance of occupational schemes has shifted away from active members and towards pensioners. Schemes have become more "mature", and if they are to match assets with liabilities, should have a natural inclination to own a greater proportion of bonds.

This rationale is all very well, but it neglects the fundamental lesson that equities have tended to outperform bonds. "If your investment horizon is long enough, you should be paid to take equity risk," says Michael Hughes, global strategist at BZW.

Of course, UK equities have had a phenomenal run, earning 16.8 per cent per annum over the last 20 years, and there is an argument that returns should revert to the historical

long-term average, so you could argue that equities are due for a period of more substantial outperformance.

Peter Chambers, chief investment strategist at HSBC James Capel, points out that those occasions when bonds do outperform

equities tend to be during recessions, conditions which do not appear to be on the horizon for the moment.

Total return in local currency to 09/05/97

| | % change over period | | | | |
|-----------------|----------------------|-------|---------|--------|-------|
| | US | Japan | Germany | France | UK |
| Week | 0.11 | 0.01 | 0.06 | 0.06 | 0.12 |
| Month | 0.47 | 0.04 | 0.26 | 0.26 | 0.52 |
| Year | 5.88 | 1.38 | 3.38 | 3.38 | 6.45 |
| Bonds 3-5 year | | | | | |
| Week | -0.01 | -0.55 | 0.18 | 0.17 | 0.78 |
| Month | -1.13 | -1.05 | 0.82 | 1.38 | 1.78 |
| Year | 6.57 | 5.94 | 8.08 | 15.89 | 9.45 |
| Bonds 7-10 year | | | | | |
| Week | -0.03 | -1.18 | 0.55 | 1.34 | 2.12 |
| Month | -1.75 | -2.54 | 1.50 | 2.24 | 3.78 |
| Year | 7.49 | 8.58 | 12.48 | 23.99 | 14.70 |
| Equities | | | | | |
| Week | 2.8 | 3.0 | 2.8 | 0.4 | 2.8 |
| Month | 8.9 | 9.6 | 5.8 | 2.7 | 6.8 |
| Year | 28.9 | 8.0 | 45.6 | 20.5 | 24.8 |

Source: Cash & Bonds - Lehman Brothers. Equities - FT/Exetel Index Unit. The FTSE/Actuaries World indices are jointly owned by FTSE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Telefonica expected to show strong growth

Telefonica de Espana, the Spanish telecoms group, is today expected to report first-quarter net profits after minorities of between Pta28.5bn and Pta29.4bn (\$302.8m) - up from Pta24.08bn a year earlier. Analysts said strong revenue growth both from Spanish and overseas operations, would be the key profit-drivers, adding that lower financial costs would help offset higher depreciation and other charges.

Mr Alberto Arroyo, analyst with BBV, said: "Among all the European telecoms companies, Telefonica is the

one which is growing the most in terms of revenue. That's thanks to the strong performance of its mobile phones, basic telephony and Latin American operations."

Mr Tom Lloyd, an analyst at ABN-Amro, said: "The key earnings drivers will be the group's mobile phone activities and its overseas operations, with Telefonica International seeing a 35 per cent rise in revenues."

■ Iberdrola, Spain's largest private-sector electrical utility, is expected to show a slight fall in first-quarter net profits on Wednesday, according to analysts.

The forecasts are for profits after minorities of between Pta32.1bn and Pta33.5bn - compared with Pta34.01bn.

First-quarter earnings for the utility sector as a whole are expected to be depressed by weak electricity produc-

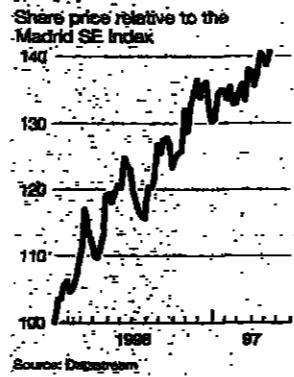
tion and consumption as a result of unseasonably warm temperatures in February and March.

Mr Juan Uguet, Beta Capital analyst, said electricity demand fell by 1.3 per cent in the first quarter because of the unusually warm weather, adding that industrial demand "was especially depressed" because the Easter holiday period also fell in March, rather than in April as last year.

■ National Australia Bank is expected to report net profit for the six months to March of between A\$1bn and A\$1.2bn (\$930m), according to analysts. They forecast a dividend of 43.4 cents. Profits last time were A\$938m.

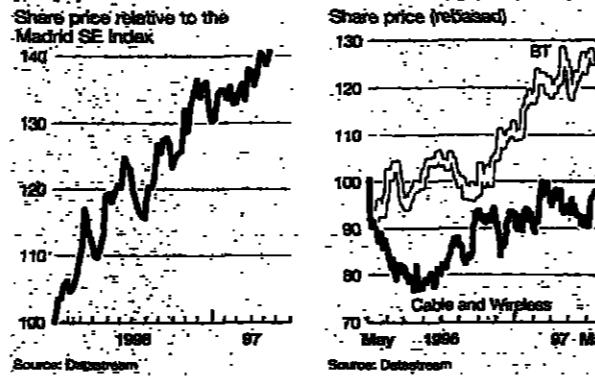
Growth in loans and receivables, cost containment and contributions from offshore operations are all expected to have added to strong interim earnings.

Telefonica



Source: Bloomberg

Telecommunications



Source: Bloomberg

NAB reported a three months to December net profit of A\$938m.

■ On Thursday Aegon, the Netherlands-based insurer, is expected to report net profits ahead to Fl 380m or Fl 387m (\$199.4m) in the first quarter - from Fl 325.6m.

Mr Andreas de Groot of

line with the full year, with very strong life insurance results and investment income also rising.

■ CSM, the Dutch foods manufacturer, is expected to report net profit for the six months to March of between Fl 98.8m and Fl 103m - up from Fl 93.5m.

Mr Frank Smidde of Financiële Diensten Amsterdam said he expected the results - due on Thursday - to show a net profit of Fl 103m or Fl 2.67 a share. He said CSM would benefit substantially from the higher dollar in the period, especially as it had made a number of acquisitions in the past few years, particularly in the US.

■ Metsa-Seria Oy will today report a first-quarter pre-tax result ranging between losses of Fl 40m and profits of Fl 140m and the first quarter would develop in

(\$6.57m), according to forecasts cited by one local. An average of eight analysts' forecasts is for pre-tax profits of Fl 93.1m.

The range of estimates reflects recent "massive" restructuring, including changes in senior management, the impact of which is difficult to assess, analysts said.

■ British Telecommunications reports its final results on Thursday under its present name. Next year it will, if the merger with MCI goes smoothly, report as Concert, incorporating six months' profits from its US partner.

This year's pre-tax result is expected to be between £3.15bn and £3.18bn (£3.13bn), equivalent to earnings per share of 32.8p-33.5p. There will be keen interest in the extent to which its competitors are cutting into

its market share.

■ Cable and Wireless will complete a third year of dramatic change on Wednesday, announcing pre-tax profits of between £1.4bn and £1.45bn compared with £1.34bn.

Earnings per share will be 30.4p-33p a share. A dividend of 11p 10 per cent up on last time is anticipated. Hong Kong Telecom, in which C&W has a 59.16 per cent stake, reported better than expected results last week, which should push the UK group's performance towards the top end of the estimates.

■ Tomorrow, BOC, industrial gases group, is expected to report subdued growth with interim pre-tax profits of about £215m. The group is likely to have experienced some pricing pressure in its core industrial gases business in north America and the UK.

INTERNATIONAL EQUITIES By Edward Luce

Latin levels reach rock bottom

Competition for privatisation mandates in Latin America has reached a pitch few thought possible, with the award of the Petrobras mandate to Credit Suisse First Boston last week.

CSFB, which is to lead management of the Brazilian company's \$300m initial public offering later this year, bid fees of just 1.15 per cent on the deal - a level described as "close to rock bottom" by one competitor.

Others, however, recalled their reaction in January to the 1.5 per cent fee bid by SBC Warburg, JP Morgan, Lehman Brothers and Morgan Stanley for the Unibanco privatisation.

Few, at the time, believed the Brazilian market could squeeze investment banks any drier.

CSFB has put paid to that illusion.

"I wouldn't be surprised if we saw one of the banks bidding 1 per cent for a \$1bn

deal in the near future," said one syndicate manager. Another pointed out, with fees amounting to \$3.4m, CSFB was in danger of making a loss on the deal.

"Clearly CSFB is making an investment in Brazil and hoping to win downstream business from this," said a bank official in New York. "The fees on the Petrobras deal will barely cover the cost of the roadshow, let alone the percentages that have to be split with the syndicate members."

Equity officials say there is little end in sight to the trend, and rumours that the fees on the mandates for three forthcoming Brazilian electricity privatisations will drift a little higher than the recent nadir have done little to spark renewed optimism.

"The only plausible event that can reverse this trend is a big disaster on a privatisation deal," said one manager in London. "We are increasingly

seeing unqualified banks outbidding the more experienced ones to win big emerging market mandates so the disaster scenario is not that unlikely."

With fees also dropping in eastern Europe, others are hoping that the market will show some signs of resistance on the TPSA (Polish telecom) privatisation later this year.

But, with Rabobank recently winning the mandate for the \$120m privatisation of Rabe - a Hungarian truck manufacturer - on fees of just 2.5 per cent, the omens are not good.

"I can understand banks bidding low fees for privatisations of over \$500m because the workload is essentially the same as on a \$100m deal," said an official in London.

"Anything lower than that isn't worth it."

Analysts say that the stress on quality and on

stronger corporate relationships makes it unlikely, the trend will spread so markedly.

Hope is also strong that in Russia, where fees of more than 4 per cent are still the norm, the trend will continue to be bucked.

"Russian companies know that a good lead manager can market a share price which is perhaps 10 per cent higher than it would be under a bad lead manager," said a syndicate head.

"Judged against that, the fee level is almost irrelevant."

In other emerging markets, by contrast, fee competition is often given the heaviest weighting.

Fees were given a weighting of 140 on a scale of just 200 on one recent deal in Latin America, according to one banker.

"If this continues then the quality of underwriting will decline."

ANNOUNCING THE investor relations magazine UK AWARDS 1997

Thursday
26 June 1997

The London Hilton
on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of IR disciplines.

The results of the research are not revealed until the night of the awards presentation. It is an event not to be missed by corporate officers and their advisers.

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EMERGING MARKETS BY CHRISTOPHER

Investors turned off Slovenia

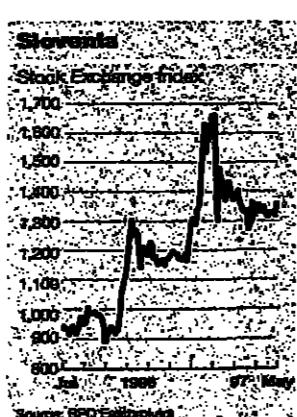
A modest pick-up in domestic demand helped lift the pessimistic mood of the Slovenian stock market last week, but local brokers warn that the recovery could be short-lived.

With the Bank of Slovenia refusing to soften the measures introduced earlier this year to control foreign capital inflows, emerging market investors are still shunning Ljubljana in favour of other pickings elsewhere.

The legality of the central bank moves is being challenged by one brokerage at the constitutional court, but relief from this quarter is unlikely to come quickly.

Becalmed at a low level last summer, the Slovenian stock market had been making impressive gains with two big advances, first in September last year and again during January, with prices jumping more than 80 per cent since August, before the central bank intervened.

The rise had been driven largely by interest from abroad. For the first time since the Ljubljana bourse was established in 1989, foreign investors' appetite for Slovenian equities coincided with a growing supply of attractive stocks, as an increasing number of newly privatised companies listed for the first time.



portfolio investments through custody accounts established at authorised domestic banks, and that the banks must treat such investments as part of their own foreign exchange exposure, which must be balanced with equivalent foreign exchange reserves.

The effect has been to add 8 to 15 per cent to the annual costs for foreign investors of holding shares on the Ljubljana stock exchange, compared with a maximum of 1.5 per cent in custody account costs in other emerging markets.

The 4 per cent gain in the Ljubljana stock exchange index (SEB) last week was helped by the debut of the latest Slovenian blue-chip stock, Petrol, the local oil company which controls almost 80 per cent of petrol retailing.

As prices rose sharply early this year, domestic investors joined the party, pushing the SEB to an all-time high in the early days of February at 1,665. The air of celebration was not shared by the Bank of Slovenia, however, which had watched the wave of foreign portfolio investment with growing alarm.

It ordered that non-residents must conduct all its actions on the grounds of

the threat posed to its conduct of monetary policy, some foreign fund managers also see the measures as being motivated by fear of foreign investors taking control of Slovenian companies.

Capital markets legislation – including the regulation of mergers and acquisitions – is still held up in parliament, and in the absence of such rules, companies feel vulnerable to foreign state building and to the threat of hostile takeovers.

The hurdles placed in the way of foreign investors have appeared at an unfortunate moment in the development of the Ljubljana stock exchange, which had been

expanding rapidly with first listings for many blue chip enterprises such as Kolinska in the food processing sector, Lek and Krka, the pharmaceuticals group, and Meritor, the supermarket chain.

Mr Drasko Veselinovic,

chief executive of the stock exchange, says the bourse is fighting against the extra costs imposed on foreign investors, and he expresses concern about the impact on prices of so many new stocks joining the market, when the outlook is so depressed.

The price volatility, illiquidity and limitations of the Ljubljana stock exchange have been underlined by the success of the recent issue of global depositary receipts (GDRs) by SKB Banca, Slovenia's second-largest bank, which is the country's first company to gain a listing on international stock exchanges.

The GDRs are trading in London, Frankfurt and Munich at a huge premium at around double the domestic share price.

Without access to a properly functioning stock market and inhibited by high domestic interest rates, Slovenian companies will struggle to raise capital to finance restructuring.

Mr James Gates, director of eastern and central European equities at UBS, the Swiss bank, warns that "another couple of years of capital starvation and a lot of Slovenian companies will not be competitive".

But some analysts believe

subsequent eurobonds will be slower to hit the markets, with few deals likely this year.

The tax privileges

attached to the sovereign eurobond are unlikely to

apply to other issuers, complicating the bankers' sums.

Moscow tests appetite for Russian debt

Thousands of Russia's newly-privatised companies and run-down municipal authorities are in desperate need of capital. The world's fund managers, slowly warming to Russia's potential appeal, appear in general mood to accommodate them. But the burning question is how the bonds of borrowers and lenders can best be matched.

A pin-striped phalanx of investment bankers is working on an array of deals – although the challenge is complicated by Russia's fluid legal and taxation regimes and uncertain economic prospects.

But if the bankers succeed, they could help stimulate a wave of debt offerings playing an important part in reversing Russia's chronic under-investment and sparking economic growth.

With massive natural resources to pledge as collateral, Russian government and corporate borrowers have enormous scope to gear up their balance sheets. Bankers suggest Russia could quickly become one of the world's most dynamic participants in the international debt markets.

This week the Moscow city government will test the receptiveness of international investors when it begins road-show for the issuance of up to \$500m in eurobonds.

Many of Russia's other 88 regions have also hired western investment banks to launch eurobonds, with St Petersburg and Nizhny Novgorod likely to be next. Standard & Poor's, the US credit rating agency, has rated all three cities BBB-, the same as the sovereign rating.

But some analysts believe subsequent eurobonds will be slower to hit the markets, with few deals likely this year. The tax privileges attached to the sovereign eurobond are unlikely to apply to other issuers, complicating the bankers' sums.

Mr Alexander Popov,

Oneximbank's treasury man-



ager, says that his bank intends to issue \$200m of eurobonds this summer, after obtaining an international credit rating.

"The maturity of borrowings for a syndicated loan is commonly about six to 12 months. But a eurobond gives us the possibility to have longer-term borrowings, from three to five years, which is important for a Russian bank trying to extend the maturity of its assets and liabilities," he says.

Mr Victor Papadopoulos, chairman of London Forgings Asia, a specialist finance house which has arranged several syndicated loans for Russian banks, says Russian entities should be able to borrow far more cheaply in future as investors become more familiar with the country.

Banks may soon be able to borrow capital at a cost of less than 400 basis points over Libor – the London interbank offered rate – compared with 450 points last year.

"But if a bank failed, it would send margins back into the heavens," he says. "That is why, the central bank has a very important role to play in regulating the market. Confidence is king."

ING BARING SECURITIES EMERGING MARKETS INDICES

| Index | 03/05/97 | Week on week movement | Actual | Percent | Month on month movement | Actual | Percent | Year to date movement | Actual | Percent |
|---------------------|----------|-----------------------|--------|---------|-------------------------|--------|---------|-----------------------|--------|---------|
| World (449) | 175.53 | +2.12 | +1.22 | -0.05 | -0.03 | +15.41 | +9.63 | | | |
| Latin America | | | | | | | | | | |
| Argentina (22) | 121.94 | +1.75 | +1.46 | +7.28 | +6.35 | +14.81 | +13.82 | | | |
| Brazil (24) | 353.04 | +9.48 | +2.78 | +11.48 | +3.37 | +22.01 | +35.25 | | | |
| Chile (16) | 196.76 | +3.76 | +1.95 | +4.85 | +2.52 | +34.31 | +21.12 | | | |
| Colombia (13) | 238.85 | +2.55 | +1.08 | +9.93 | +4.32 | +68.15 | +38.08 | | | |
| Mexico (27) | 93.24 | +1.28 | +1.40 | +0.73 | +0.79 | +11.58 | +14.15 | | | |
| Peru (12) | 1,255.25 | -10.17 | -0.02 | -1.12 | -0.88 | +24.01 | +24.01 | | | |
| venezuela (9) | 55.18 | +0.97 | +0.12 | +0.44 | +7.54 | +4.40 | +45.44 | | | |
| Latin America (119) | 176.65 | +3.64 | +2.08 | +5.12 | +2.88 | +35.16 | +24.50 | | | |
| Europe | | | | | | | | | | |
| Czech Rep.(14) | 87.13 | -3.58 | -3.94 | -11.21 | -11.40 | -17.14 | -16.44 | | | |
| Greece (20) | 186.21 | +15.66 | +18.15 | +21.39 | +12.98 | +73.90 | +65.80 | | | |
| Poland (26) | 334.43 | -3.98 | -1.15 | -11.44 | -3.31 | -9.32 | -2.71 | | | |
| Portugal (19) | 183.56 | +5.80 | +3.26 | +22.39 | +13.89 | +37.38 | +25.57 | | | |
| South Africa (30) | 146.24 | -0.32 | -0.22 | +0.59 | +0.40 | +16.35 | +12.59 | | | |
| Turkey (27) | 152.48 | +6.75 | +3.82 | +3.92 | +4.34 | +27.43 | +21.94 | | | |
| Europe (134) | 137.93 | +1.94 | +1.42 | +3.28 | +2.43 | +19.58 | +16.55 | | | |
| Asia | | | | | | | | | | |
| China (27) | 66.49 | +2.45 | +3.83 | +11.11 | +20.06 | +10.01 | +17.72 | | | |
| Indonesia (30) | 154.17 | +6.74 | +4.57 | +7.27 | +4.95 | +2.26 | -1.45 | | | |
| Korea (23) | 76.98 | -3.34 | -4.08 | -4.16 | -5.00 | -2.23 | -2.75 | | | |
| Malaysia (24) | 238.83 | +1.88 | +0.79 | -17.97 | -7.00 | -41.59 | -14.83 | | | |
| Pakistan (13) | 65.86 | -0.07 | -0.11 | -3.52 | -5.07 | +7.41 | +12.67 | | | |
| Philippines (18) | 281.45 | +3.70 | +1.44 | +21.88 | +7.85 | +52.24 | +16.88 | | | |
| Taiwan (31) | 281.25 | +1.12 | +0.75 | -3.41 | -3.41 | -2.21 | -1.74 | | | |
| Thailand (29) | 115.48 | -10.13 | -9.07 | -21.08 | -15.44 | -36.68 | -26.58 | | | |
| Asia (193) | 204.57 | +0.37 | +0.18 | -9.18 | -4.28 | -13.08 | -5.98 | | | |

All indices in \$ terms, January 7th 1992=100. Source: ING Baring Securities.

NOTICE OF PUBLIC SALE

Under Section 9-504 of the New York Uniform Commercial Code and pursuant to the Indenture dated as of April 29, 1996 ("the "Indenture") among Argentine Cellular Communications (Holdings) Limited, as issuer ("ACC"), Bankers Trust Company, as trustee and registrar (the "Trustee"), and Morgan Grenfell & Co. Limited, as nominee and custodian of the collateral (the "Collateral"), generally described below, will be sold at public sale on Friday, May 30, 1997 at 10:00 a.m. (New York City time), by auction, at the option of the auctioneer, for the benefit of the holders (the "Noteholders") of U.S. \$271,000,000 principal amount of senior secured notes and U.S. \$26,194,690 principal amount of junior secured notes (collectively, the "Notes"), at the offices of Milbank, Tweed, Hadley & McCloy ("Milbank, Tweed"), 46th Floor, One Chase

Manhattan Plaza, New York, New York.

The Collateral consists of all of the shares of stock (the "CAI Shares") in Compania Austral de Telefonos (Cayman) Limited ("CAI"), a wholly owned subsidiary of ACC, incorporated under the laws of the Cayman Islands, and all rights, title and interest of ACC in respect thereto. CAI is a joint venture with GTE Mobile Communications International Incorporated ("GTE") and other investors whose purpose was to design, construct and operate a cellular telecommunications system in Argentina. Pursuant to and after the joint venture, the Trustee is informed that CAI owns approximately 24.3% of the outstanding common stock in each of two operating companies (the "CTI Operating Companies"); (i) CTI Compania de Telefonos del Interior S.A., and (ii) CTI Norte Compania de Telefonos del Interior S.A., each a corporation organized and existing under the laws of Argentina and each with a license to design, construct and operate a radio cellular telecommunications system in Argentina.

The CAI Shares will be the right of first refusal in favor of GTE, entitling GTE to purchase the CAI Shares upon the same terms and conditions as the public sale mentioned within after giving notice of its right of first refusal entitling GTE to vote the shares of the CTI Operating Companies except with respect to certain specified matters.

The shares of the CTI Operating Companies are subject to a first priority security interest in favor of certain lenders to the CTI Operating Companies (including, without limitation, Citibank, N.A. and the Overseas Private Investment Corporation), and a second priority security interest in favor of certain shareholders of the CTI Operating Companies (including, without limitation, GTE and its affiliates, TCW Americas Development Corporation, LP, The Argentine Investment Company and Telco S.A.), who have provided credit support in favor of certain significant lenders to the CTI Operating Companies.

Pursuant to a certain Note Purchase Agreement dated as of April 29, 1997, the CTI Operating Companies may, from time to time, issue additional indebtedness convertible into shares of common and preferred stock of the CTI Operating Companies. Any such conversion will have a dilutive effect on the percentage ownership of the common stock of the CTI Operating Companies currently held by CAI.

The foregoing summary of the Collateral is for general information purposes only and is qualified in its entirety by the detailed commercial arrangements referred to above. Neither the Trustee, the Noteholders or any Noteholder makes any representation, either express or implied, as to the status of CAI or the CAI Shares, or respecting the assets, liabilities, financial condition or prospects of CAI, the CTI Operating Companies or as to any other matter whatsoever. The Collateral will be sold on an as-is, where-is basis, without recourse, representation or warranty of any kind whatsoever.

UNDER NO CIRCUMSTANCES SHALL THIS NOTICE OF SALE CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY. NO SHALL THERE BE ANY SALE OF THE COLLATERAL IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

The Collateral will be sold only as a block and will not be split up and sold in lots. The Trustee reserves the right, in its sole discretion, to adjudge the sale to a future date by giving notice thereof at the sale without the necessity of prior notice or further publication.

The bidding will be limited to those who are "accredited investors", as defined in the United States Securities Act of 1933, as amended (the "Securities Act"). Each bidder will be required to execute and deliver to the Trustee, on or prior to May 28, 1997, an investment letter which, among other things, represents and warrants that (i) such bidder is financially sophisticated and can afford the risk of a highly speculative investment in the CAI Shares, (ii) such qualified bidder (s) plans to acquire the Collateral for its own account for the purpose of investment and (iii) will not resell the Collateral without complying with the registration requirements of the Securities Act or pursuant to a valid exemption therefrom; and (iv) such other information as the Trustee may reasonably desire.

Each qualified bidder must qualify to bid by registering with the Auctioneer at least 24 hours prior to the auction and (i) in the case of those looking to credit bid, by demonstrating to the Auctioneer its ownership of Notes and depositing such Notes with the Trustee at the inception of the auction and (ii) in all other cases, by depositing with or delivering to the Trustee immediately prior to the auction a bid bond in the form of a federal funds wire for at least U.S. \$1 million. The Trustee's wire instructions are ABA No. 021-001-033, Account No. 01419647 at Bankers Trust Company, New York, New York. Prior to wiring, a financial commission should be sent to Dorothy Robinson at Bankers Trust Company so that she may expect such wire (Fax No. (212) 250-0933). All

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

| | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of England |
|----------------------------|-------------------|---------------|------------------|----------------|---------------|----------------|----------|-------------------|--------|---------------|--------|-----------------|
| Europe | | | | | | | | | | | | |
| Austria | 80.01 | -0.178 | 80.23 - 108 | 19.5867 | 18.2444 | 19.248 | 3.3 | 19.16 | 2.9 | - | - | 103.5 |
| Belgium | 80.51 | -0.588 | 80.51 - 106 | 57.2765 | 58.4569 | 58.4569 | 3.3 | 58.1433 | 3.4 | 103.5 | - | |
| Denmark | 10.433 | -0.074 | 93.1 - 101 | 10.4105 | 10.4138 | 10.3613 | 2.9 | 10.3193 | 2.9 | 108.3 | - | |
| Finland | FTM | 0.2356 | -0.076 | 701 | 821 | 8.3200 | - | - | - | - | - | 82.5 |
| France | FF1 | 9.2516 | -0.084 | 469 | 598 | 5.2581 | -0.254 | 9.2074 | 3.1 | 9.1765 | 3.1 | 106.4 |
| Germany | DM | 2.7423 | -0.025 | 410 | 435 | 2.7770 | 2.7343 | 2.7347 | 3.2 | 2.7167 | 3.4 | 2.6484 |
| Greece | Dr | 343.947 | -3.392 | 410 | 435 | 411.533 | 435.744 | 2.7347 | 3.2 | 2.7167 | 3.4 | 103.4 |
| Ireland | IE | 1.0986 | -0.002 | 645 | 655 | 1.0752 | 1.0843 | 1.0866 | -0.1 | 1.0566 | 0.7 | 99.0 |
| Ireland | IE | 1.2781 | -0.018 | 701 | 821 | 274.87 | 270.83 | 272.11 | -0.8 | 272.58 | -0.3 | 78.3 |
| Luxembourg | LU | 58.5143 | -0.505 | 871 | 905 | 57.2765 | 58.4569 | 58.4569 | 3.3 | 58.1433 | 3.4 | 103.5 |
| Netherlands | NLG | 11.4000 | -0.075 | 404 | 524 | 8.3200 | - | 8.3200 | - | - | - | 82.5 |
| Norway | NOK | 27.9986 | -0.071 | 645 | 761 | 11.1518 | 11.3758 | 11.3758 | 0.7 | 11.1518 | 2.9 | 98.8 |
| Portugal | PT | 231.938 | -1.793 | 857 | 929 | 204.4200 | 204.4200 | 204.4200 | 0.7 | 204.4200 | 0.8 | 94.5 |
| Spain | PE | 12.4503 | -0.064 | 213 | 338 | 12.5175 | 12.5298 | 12.5298 | 1.4 | 12.2858 | 1.4 | 78.0 |
| Sweden | SEK | 2.3120 | -0.024 | 116 | 144 | 2.3510 | 2.3022 | 2.3037 | 4.9 | 2.2845 | 4.3 | 82.9 |
| Switzerland | SF | 2.3120 | -0.024 | 116 | 144 | 2.3510 | 2.3022 | 2.3037 | 4.9 | 2.2845 | 4.3 | 82.9 |
| UK | £ | - | - | - | - | - | - | - | - | - | - | 82.9 |
| EU | - | 1.4101 | -0.018 | 097 | 115 | 1.4200 | 1.4065 | 1.4065 | 2.3 | 1.4021 | 2.4 | 1.3749 |
| Ecu | - | 1.18450 | - | - | - | - | - | - | - | - | - | 82.9 |
| Americas | | | | | | | | | | | | |
| Argentina | Pes | 1.6167 | -0.007 | 102 | 128 | 1.6275 | 1.6147 | - | - | - | - | 103.5 |
| Brazil | BR | 1.7292 | -0.235 | 237 | 267 | 1.7205 | - | - | - | - | - | 103.5 |
| Canada | CA | 2.2498 | -0.081 | 496 | 526 | 2.2404 | 2.2433 | 3.2 | 2.2331 | 3.1 | 2.1902 | 2.6 |
| Mexico (New Pesos) | MXN | 12.7998 | -0.048 | 917 | 969 | 12.8710 | 12.7398 | - | - | - | - | 94.3 |
| USA | US | 1.6181 | -0.003 | 190 | 194 | 1.6181 | 1.6181 | 0.6 | 1.6111 | 0.5 | 104.1 | - |
| Pacific/Middle East/Africa | | | | | | | | | | | | |
| Australia | AU | 2.0003 | -0.008 | 761 | 815 | 2.0084 | 2.0704 | 2.0707 | 0.3 | 2.0778 | 3.4 | 87.1 |
| Hong Kong | HK | 12.5424 | -0.112 | 385 | 423 | 12.5207 | 12.5365 | 12.5359 | 0.5 | 12.4911 | 0.4 | 104.1 |
| India | Rs | 58.0333 | -0.074 | 228 | 289 | 58.3720 | 57.9250 | - | - | - | - | 103.5 |
| Israel | Sh | 5.5001 | -0.015 | 931 | 981 | 5.5312 | 5.4902 | - | - | - | - | 103.5 |
| Japan | Y | 197.081 | -0.504 | 511 | 521 | 200.280 | 196.440 | 195.021 | 6.5 | 194.011 | 6.0 | 124.4 |
| Malaysia | MYR | 4.0601 | -0.003 | 581 | 582 | 4.0798 | 4.0479 | - | - | - | - | 103.5 |
| New Zealand | NZD | 2.2788 | -0.048 | 545 | 578 | 2.3088 | 2.3507 | 2.3562 | 0.1 | 2.3572 | -0.1 | 113.3 |
| Philippines | PHP | 8.0735 | -0.044 | 218 | 238 | 8.1725 | 8.1725 | - | - | - | - | 103.5 |
| Saudi Arabia | SR | 2.2322 | -0.007 | 314 | 341 | 2.2467 | 2.2703 | - | - | - | - | 103.5 |
| Singapore | S\$ | 2.2322 | -0.007 | 314 | 341 | 2.2467 | 2.2703 | - | - | - | - | 103.5 |
| South Africa | ZA | 7.2217 | -0.028 | 175 | 229 | 7.2841 | 7.2065 | - | - | - | - | 103.5 |
| Taiwan | NT | 14.4333 | -0.0346 | 513 | 547 | 14.5040 | 14.4760 | - | - | - | - | 103.5 |
| Thailand | THB | 42.7024 | -0.018 | 333 | 365 | 42.3470 | 41.9760 | - | - | - | - | 103.5 |
| UK | £ | 14.4333 | -0.0346 | 513 | 547 | 14.5040 | 14.4760 | - | - | - | - | 103.5 |
| Yemen | YD | 42.7024 | -0.018 | 333 | 365 | 42.3470 | 41.9760 | - | - | - | - | 103.5 |

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

| | BY | DKR | FF | DM | IE | L | Rs | Nkr | Es | Pts | SKr | SPt | E | CS | S | Y | Ecu |
|-------------|-----|--------|-------|-------|-------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Belgium | BE | 180.44 | 16.34 | 4.944 | 1.884 | 4802 | 5.448 | 20.15 | 487.5 | 405.7 | 21.96 | 4.088 | 3.974 | 2.950 | 348.1 | 2.491 | |
| Denmark | DK | 54.02 | 5.00 | 2.627 | 1.022 | 2.206 | 2.054 | 10.83 | 264.4 | 224.4 | 2.158 | 0.958 | 1.551 | 1.888 | 18.8 | 1.888 | |
| Germany | DM | 101.19 | 11.93 | 4.944 | 1.884 | 1.153 | 1.022 | 2.206 | 250.4 | 224.4 | 1.022 | 0.958 | 1.551 | 1.888 | 18.8 | 1.888 | |
| Ireland | IE | 53.08 | 9.788 | 8.675 | 3.071 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | 1.022 | |
| Italy | IT | 2.0683 | 0.384 | 0.340 | 0.101 | 0.039 | 0.09 | 0.118 | 0.420 | 0.410 | 0.852 | 0.467 | 0.085 | 0.083 | 0.080 | 0.082 | 0.082 |
| Netherlands | NL | 18.36 | 3.365 | 3.000 | 0.869 | 0.346 | 0.343 | 1.00 | 1.00 | 1.00 | 0.869 | 0.346 | 0.343 | 0.343 | 0.343 | 0.343 | 0.343 |
| Norway | NOK | 49.82 | 8.150 | 8.109 | 2.404 | 0.835 | 2.083 | 2.073 | 10.0 | 24.9 | 20.3 | 20.3 | 0.760 | 0.760 | 0.760 | 0.760 | 0.760 |
| Portugal | PT | 23.785 | 3.352 | 3.094 | 0.868 | 0.345 | 0.343 | 1.00 | 1.00 | 1.00 | 0.868 | 0.345 | 0.343 | 0.343 | 0.343 | 0.343 | 0.343 |
| Spain | ES | 24.41 | 3.352 | 3.094 | 0.868 | 0.345 | 0.343 | 1.00 | 1.00 | 1.00 | 0.868 | 0.345 | 0.343 | 0.343 | 0.343 | 0.343 | 0.343 |
| Sweden | SEK | 8.7598 | 2.443 | 2.000 | 0.868 | 0.345 | 0.343 | 1.00 | 1.00 | 1.00 | 0.868 | 0.345 | 0.343 | 0.343 | 0.343 | 0.343 | 0.343 |
| Switzerland | SF | 24.48 | 4.513 | 4.000 | 1.068 | 0.481 | 0.481 | 1.00 | 1.00 | 1.00 | 0.868 | 0.345 | 0.343 | 0.343 | 0.343 | 0.343 | 0.343 |
| UK | £ | 56.61 | 10.44 | 9.252 | 2.742 | 1.067</td | | | | | | | | | | | |

Fukuoka

The Japanese prefecture aims to become a gateway to the fast-developing economies of Asia. But, says Michiyo Nakamoto, it is an identity shift that will need careful handling

New role for the new millennium

Ask anyone in Fukuoka what distinguishes the prefecture from other parts of Japan and the chances are that they will mention its proximity to Asia.

Situated on the northern edge of the island of Kyushu, Fukuoka boasts a distinct culture and vibrant economy that in part reflect its advantage of being situated closer to the Asian continent than most parts of Japan.

In the past, that proximity gave Fukuoka, which this week hosts the Asian Development Bank's annual meeting, a national role as the starting point for official missions from Japan to China. Hakata port, in Fukuoka city, prospered by trade with China, Korea and other regions in the South China Sea from the 15th to 17th centuries. Hakata Ori, the distinctive silk weaving that the region is famous for, was introduced from Sung China 750 years ago.

Today, Fukuoka is once again looking to Asia for inspiration in identifying a role for itself in the 21st century. "We believe that our relationship with Asia will become more and more important," says Mr Tatsuta Goto, chairman of the Fukuoka Chamber of Commerce and Industry.

Fukuokans like to point out that the region is closer to leading cities in South Korea and China than it is to Osaka or Tokyo. According to Mr Kenji Takimoto, president of Asia Business Centre, an independent consul-

tancy based in Fukuoka, the prefecture, indeed the whole of Kyushu Island, should consider itself a part of Asia rather than of Japan.

This renewed love affair with Asia is understandable: many Fukuokans business and government leaders, the dynamism of Asian economies contrasts starkly with the stagnation that seems to characterise the Tokyo-dominated Japan.

Fukuoka's desire to capitalise on its proximity to the growing economies of Asia has spurred moves to modernise infrastructure in order to attract more business and tourism.

The Port of Hakata, which is celebrating its 100th anniversary next year, is in the midst of a massive building project that will add an artificial island with residential, leisure and port-related facilities.

Nearly 90 per cent of visitors to Fukuoka prefecture in 1995 were from Asia. Of these, 50 per cent were from Korea. The number of visitors from Asian countries, particularly Taiwan and Korea, quadrupled last year at Space World, a theme park in Kitakyushu. According to Mr Tsutomu Ishihara, senior manager of promotion at the Port of Hakata, eight of the 10 new shipping routes established since 1988 are between the port and Asian countries.

Trade with Asian countries is a key feature of the economy. In 1995, exports from Fukuoka to its neighbours in Asia came to Y291.4bn, or 42 per cent of the total, while imports from Asia amounted to Y687.4bn - 64 per cent of the total for the prefecture.

Against this background, it is perhaps not surprising that many business and government leaders believe that Fukuoka's future lies in cultivating relations with Asia, rather than in trying to seek a role within a Tokyo-dominated Japan.

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A redevelopment rush in Fukuoka, comparable with the construction blitz that characterised other regions several years ago when Japanese asset prices were soaring.

Yet, there is concern that the rallying cry among business and government leaders to look towards Asia, and all the excitement it has generated, lack substance. Fukuoka could be left with little more than under-used conference halls and vague ideas about how its Asian connection might provide an alternative to the manufacturing industries that have hitherto supported it.

"The main issue for us is what role we can play as the gateway to Asia," Mr Goto notes.

In what way can Fukuoka contribute to the growth of Asia? What should the prefecture's particular strengths be, within the context of

regional development? These are the key questions.

The business community and government believe that the ADB conference in Fukuoka city can provide an important opportunity to answer them.

According to Mr Goto, holding a prestigious conference such as the ADB increases local awareness of Asia and of Japan's role in Asia. "It is necessary not only for us to be aware of this role but also to inform the rest of the world of it," he says.

Fukuoka's role in Asia is already being defined in a variety of ways by a variety of people.

As Japanese manufacturers move their lower-end production activities overseas, particularly to Asian countries with lower costs, Fukuoka can help channel the necessary technologies from Japan to Asia, notes Mr Hiroshi Morimoto, director of research at the Kyushu Economic Research Centre.

Its concentration of manufacturing expertise, built up over the years at the local plants of leading Japanese companies, and its large number of universities, strong in scientific research, make the prefecture an ideal place to play that role.

The Fukuoka prefectural

government, led by Mr Wataru Aso, the governor, is promoting the development of Fukuoka as a base for new businesses, ranging from software to biotechnology. It has been investing actively in venture businesses and supporting closer co-operation between the public sector, private business and academic institutions.

But much more needs to be done if Fukuoka is to make a smooth transition from an economy that is based on manufacturing to one that is driven by newer and more promising growth industries.

First of all, it must cut more decisively the umbilical cord that ties it to Tokyo: in spite of all the talk about Asian connections, Fukuoka, many people say, still have a psychological dependence on the capital. If it relies too heavily on Tokyo and its protracted bureaucratic procedures, Fukuoka might miss its chance to take advantage of the great advances being made in Asia, particularly in the field of info-communications, Mr Takimoto points out.

To become an Asian regional centre the prefecture also needs even better transportation infrastructure, such as an international airport that can serve as a regional hub. Given the rapid developments taking place in expanding economies in Asia, the next few years will be a tough test of the prefecture's ability to make the best of what it has.

and infrastructure are supporting Fukuoka's development as a regional service and leisure base.

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ing, has seen the erection of multi-purpose domes, conference halls and leisure and retail complexes.

Cultural programmes focused on Asia and initiatives to promote intra-regional relations have taken root in both the public and private spheres. September

has been designated Asia month in Fukuoka and various events are held to introduce Asian art and culture to the community. A children's conference has been held annually for the past nine years: about 400 children from all over Asia and their chaperones are invited to Fukuoka to stay in Japanese homes and compare notes with local students.

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INTERNATIONAL LINKS • by Bethan Hutton

Seeking symmetry with the Asian tigers

Commercial and cultural ties to its neighbours will raise Fukuoka's status worldwide

The citizens of Fukuoka are very proud of their cosmopolitan heritage. They point to a large golden seal, unearthed in the area and said to have been brought by an envoy of a Chinese emperor of the Han dynasty in AD57, as evidence of a long history of pan-Asian links. And, as any Fukuokan can tell you – and probably will – the city is closer to Pusan or Shanghai than it is to Tokyo.

Of course, that history of close cross-border ties has been chequered. It was travellers from China and Korea who, passing through the port of Hakata (the old name for Fukuoka), introduced some of the foundations of Japanese culture – tea, Buddhism, and ceramics – but the Shogunate's seclusion edicts put paid to Fukuoka's

role as a gateway to Asia. Japan was all but closed to foreigners from the mid-17th to mid-19th centuries and, when the country was reopened, the focus of its international relations had switched to the US and Europe.

Tokyo became Japan's only really international centre.

Now, however, the tide is turning again. Fukuoka has recently woken up to the fact that its proximity to Japan's increasingly dynamic neighbours in the Asia-Pacific region creates huge opportunities.

"In 1987, Fukuoka city decided its goal was to become an international hub for relations with Asian countries," says Mr Junichiro Nakashima, director of the city's international planning section. Since then, the local government has been promoting that goal.

Fukuoka has gone through all the usual means of establishing international links – it has sister-city relationships or other established



Hakata port: central to Fukuoka's ambitions to develop its role as a north-east Asian trade hub

ties with nine cities in Asia, Europe, the US and New Zealand – but it has also come up with some own ideas of its own. And although the main aim is clearly commercial, in terms of attracting conferences and trade to the city, Fukuoka has also taken trouble to promote cultural links.

September in Fukuoka is Asia Month, when residents and guests from other Asian countries put on shows, cine-

mas run Asian films, and there is a grand parade with Asian-themed floats through the city centre.

Schoolchildren from other Asian countries are invited to join an exchange programme with local pupils.

The number of Asian students at Fukuoka's universities has rocketed in recent years, and an Asian museum is under construction.

Fukuoka's growing number of foreign residents helps

maintain a year-round image of the city as cosmopolitan and pan-Asian – even the subway has signs in English, Chinese and Korean.

There are flights from Fukuoka airport to 23 cities around the Asia-Pacific region, as well as all the big Japanese cities. Flight times to destinations in Korea and China beat flight times from Tokyo by about an hour or so, but what really makes the difference in travelling

time and stress levels is the closeness of Fukuoka airport to the centre of town: it is less than 15 minutes by frequent and efficient subway, compared with one or two hours from Narita airport to central Tokyo, depending on means of transport and time of day.

As a result of a building boom in the late 1980s and early 1990s, Fukuoka is now generously supplied with hotels, stadiums and conference centres large enough to cope with almost any event.

Last November the Asia-Kyushu Regional Exchange Summit brought together representatives of 27 Asian regions to discuss sustainable economic development and environmental problems in Asia. In 1996, Fukuoka hosted the Universiade, or student Olympic games. This month's Asian Development Bank meeting will be the largest and most prestigious international gathering so far.

Large-scale events attract the most publicity but there is plenty of activity at a level

that can touch local people more directly. Dozens of small societies promote different kinds of international exchange or cultural activities. The Fukuoka International Exchange Foundation (FIEF), set up by the prefectural government, arranges events for both Japanese natives and foreigners living in the region. Mr David Vreden, an Australian co-ordinator at FIEF, who has lived in the area for three years, last year arranged a tour for an Australian aboriginal dance troupe.

While the promotion of convention business and cultural links has been very successful to date, inward investment and tourism have been slower to take off. The city and prefectural governments are no doubt hoping that if enough people visit Fukuoka for a conference, some will come back to establish subsidiaries – or just for a holiday.

While Fukuoka is a provincial city that will never be as truly cosmopolitan as Hong Kong or Singapore, it

| Port | Distance (kilometres) |
|-------------|-----------------------|
| Yokohama | 903 |
| Osaka (USA) | 6,003 |
| New York | 10,237 |
| Beijing | 5,022 |
| Kesing | 705 |
| Shanghai | 4,545 |
| Dubai | 5,971 |
| Hamburg | 11,057 |

Source: Port of Fukuoka

does have a role as a north-east Asian centre for trade and international events. It has all the advantages of Japan's advanced stage of development, infrastructure and communications, but none of the drawbacks of a huge metropolis such as Tokyo.

CULTURAL IDENTITY • by Michiyo Nakamoto

Mini-Tokyo with a mind of its own

The prefecture wants its people to do more than slavishly follow the capital's lead

Fukuoka is a region that is struggling to maintain its cultural identity.

In the past, its proximity to China made it a centre for cultural development as Japan avidly absorbed Chinese influence in everything from art to literature. Government missions to China set off from Fukuoka, which some scholars believe is the site of Yamatai, the ancient kingdom referred to in the Chinese chronicle Wei Zhi.

Its history as a bridge between Japan and Asia has nurtured an open-mindedness towards the outside world. "The people of Fukuoka are very accepting of new things," says Mr Toru Koga, cultural news editor of the Nishi-Nippon Shimbun, a regional daily.

A corollary is cultural inventiveness. "Many new things are born in Fukuoka," says Mr Koga.

Oppakepei, a style of theatre in which the performer satirises the world about him, originated in Fukuoka in the late 19th century.

Festivals that are still leading national attractions, such as the Hakata Dontaku held in early May, reveal

both the influence of foreign cultures and the distinctive, fun-loving character of the local people. Apart from the colourful parades and lively music, the Dontaku, which attracts the largest number of festival-goers in the country, features wandering participants who stop anyone they come across on the street to tell them a pun. The name Dontaku is said to derive from the Dutch word for Sunday, Zontag.

Today, however, the propensity to look outside for cultural inspiration means that all eyes are turned towards Tokyo.

"Fukuoka is a region where the influence of Tokyo is very strong. Young people in particular look towards Tokyo so that it seems that they have lost their own cultural identity," says Mr Hiroshi Tamari, manager of the Fukuoka office of Yoshimoto Kogyo, an agency that trains and manages a wide variety of performers.

The cultural invasion from Tokyo is evident in the forms of entertainment Fukuoka now provides. Gekidan Shiki, a dramatic troupe boasts high attendances in Fukuoka: it originated in Tokyo. The city's Dome, a covered stadium, brings in people from far and wide to enjoy not only baseball games but also musical performances: it is modelled on the Tokyo Dome.

"We in Fukuoka tell each other, with a hint of self-criticism, that we have become like a mini-Tokyo," laments Mr Koga. "The local dialect, for example, is disappearing very quickly."

Unlike natives of Osaka, where the local dialect is proudly and very conspicuously spoken, Fukuoka people tend only to use their own language in private.

But Fukuokans are not just passive receptors of outside influences.

The region itself has given birth to nationally famous musicians, artists and writers, many of whom have established new genres. "Fukuoka people are very



Dontaku festival: shows Fukuoka's diverse cultural heritage

expressive," says Mr Koga.

Yoshimoto Kogyo, the leading Osaka entertainment company, has set up an office in Fukuoka in order, Mr Tamari says, to find new musical talent.

The hope for many Fukuokans is that given the abundance of naturally expressive, talented people in the region, they can develop their own distinct culture.

Many look to Asia for inspiration. "We want to create a distinctive culture," says Mr Koga. "Being a gateway to Asia is one way to do so."

Public leaders are actively promoting Fukuoka's links to Asia not just through formal events such as the 1997 Annual Conference of the Asian Development Bank, which is being held in Fukuoka this week, but also through cultural exchanges and other programmes.

Fukuoka Daisets Hawks, the local baseball team, recently appointed Sadaharu Oh, a former slugger with the Tokyo-based Yomiuri Giants

as manager. Mr Oh is a national hero of Chinese descent. Daisets, the retailer that owns the Hawks, is said to have been keen to promote the region's Chinese links as a way of gaining a foothold in the promising Chinese market.

August is the most important key to the development of a distinct Fukuoka culture is the dynamism of the local economy. The buoyant economy has supported the construction of leisure facilities such as the Dome and the Hakata-za, the first large theatre in the city for traditional performing arts, and of conference halls, hotels and shopping malls.

"Fukuoka is becoming a central city in Japan," notes Mr Tamari.

It might have a tendency to adopt outside influences rather than protect its own culture but in the long-term this might not matter. "By accepting influences from the outside I believe it will create a unique mixture that is its own," says Mr Tamari.

The past five years, however, have seen a decline in the number of Koreans and a growth in the Chinese population. Both Koreans and Chinese tend to be long-term residents. Europeans, Australians and north Americans, on the other hand, are more likely to be shorter-term students, English teachers or employees on temporary transfer.

Mr Li Xianzhang, chairman of the Fukuoka Overseas Chinese Residents Association, says that Chinese immigrants are following patterns found all over the world: the first generation most often run restaurants, but their children grow up to be doctors, accountants and computer specialists. They are also integrating into Japanese society, even to the extent of speaking Japanese at home, and marrying Japanese people.

According to Mr Li, the majority of overseas Chinese in Fukuoka eventually take Japanese nationality. Japan-

ese passports are more welcome internationally, he points out.

Koreans, on the other hand, are mainly classed as permanent residents. Many do not take Japanese citizenship, even if they and their parents were born in Japan. This means they can be subject to bureaucratic – and sometimes degrading – discrimination: the government only recently agreed to phase out regular fingerprinting of permanent residents. Non-Japanese citizens are barred from long-term "career-track" posts within local government, and are discriminated against by many larger companies.

Temperature rises in melting pot

Sometimes, all the talk of cosmopolitanism seems to have a hollow ring

Fukuoka's push for internationalisation over the past few years means more foreigners are coming to the area to work or study, or even just to live.

Foreign residents are hardly a novelty – there have been Chinese and Korean residents in Kyushu for hundreds of years, and Fukuoka, as a key trading port, has been home to many of them – but their current numbers and variety are unprecedented.

The foreign population of Fukuoka city has expanded rapidly, from 7,631 in 1980 to 13,351 by the end of 1995, while the foreign population of the prefecture as a whole had grown to more than 36,000 by the end of last year. By far the majority of these – nearly 24,000 – are Japanese nationals.

The past five years, however, have seen a decline in the number of Koreans and a growth in the Chinese population. Both Koreans and Chinese tend to be long-term residents. Europeans, Australians and north Americans, on the other hand, are more likely to be shorter-term students, English teachers or employees on temporary transfer.

Local authorities are trying to improve the lot of the immigrant, however. The Fukuoka International Exchange Foundation runs an advisory centre that offers help with employment and immigration problems and provides information on Japanese law. It also publishes newsletters in English and various other languages.

Last month, another source of information for foreigners was launched: Love FM, a foreign-language radio station based in central Fukuoka. It broadcasts mainly in English, but also has programmes in Korean and Chinese and public ser-

vice announcements in other Asian and European languages.

The government started to issue licences to foreign-language broadcasters two years ago. The first station opened in 1985 to coincide with an Apec meeting in Osaka, the second in Tokyo in April 1986, and the third, Love FM, has broadcast in time for this week's Asian Development Bank conference in Fukuoka.

Unlike its counterparts in Tokyo and Osaka, Love FM is trying to keep a local identity. It has recruited mainly foreigners who have been resident in Fukuoka for some time, rather than professional DJs from outside the region. It also puts less emphasis on music than the other two stations. "We want to provide useful information for foreign residents," says Mr Daisaku Hisata, managing director.

Despite such close targeting, the majority of Love FM's listeners are Japanese. This might only be a good thing: there seems to be a need to educate the indigenous population. Ms Yoonsoo Kwon, a Korean DJ at Love FM and a long-term resident of the city, has noticed the increasing cosmopolitan mix of people on the streets but says that attitudes have not necessarily changed.

"I don't think Fukuoka is less prejudiced compared with other cities in Japan," she says.

Ms Kwon does believe, however, that it is an easier place to live. The many similarities in culture and language between Kyushu and southern Korea help Koreans feel at home, she says. Even the local delicacy – spicy fish roe – is also a favourite in Pusan.

For foreign visitors or residents, Fukuoka may offer a more accessible introduction to Japanese culture and society than can easily be found in a city like Tokyo, while still providing the support and services needed by non-Japanese residents such as an international school.

Looking for local deals for wheels

PROFILE The Toyota Kyushu plant



The plant: local skills shortages mean that it has had to be adapted for female and older workers

owned the site of the current plant for more than 25 years. Manufacturing was initially delayed by the first oil shock of 1973. Plans for production were reactivated in the late 1980s, however, when predictions of a labour shortage in central Japan made Toyota turn to its vacant plot in Kyushu.

"There were fewer large manufacturers competing for staff in Kyushu but Toyota still found itself having to transfer workers to Kyushu from its other locations."

"Because Kyushu has mostly raw materials-based industries, it did not have so many skilled workers for processing and assembly industries," says Mr Yuzuru Mamizuka, senior managing director at the Kyushu plant. "However, there are new graduates from Kyushu

universities who have technical skills. It is not a bad location for recruiting engineers."

The plant was designed so

people could work on the production lines as easily as young men, so widening the pool of suitable staff.

The level of automation is lower than at the previous

generation of Toyota plants, but still ensures that workers are relieved of the heaviest and most tedious work – they are assisted by the robots, rather than the

other way round.

One of the characteristics of the Japanese manufacturing system is a network of long-term suppliers that works in symbiosis with the manufacturer itself.

When Toyota established the Kyushu plant, it made sure that it would be able to obtain locally some of the parts that are difficult or expensive to transport across long distances. However, a complete network of local suppliers has yet to grow up around the plant.

"It requires time," says Mr Mamizuka, "possibly even 10 or 20 years."

After taking 20 years to open the plant, it would seem that Toyota is willing to wait.

Bethan Hutton

Business is blooming.
It's the leading regional bank in Japan's Kyushu region, but businesses throughout Asia are depending on it. And to meet client needs in today's increasingly borderless global markets, you'll find offices in Hong Kong, Seoul, Bangkok, Shanghai, and Dalian, as well as in New York and London. The Bank of Fukuoka, Ltd. — helping businesses bloom in Japan, Asia, and around the world.



BANK OF FUKUOKA
13-1, Tenjin 2-chome, Chuo-ku, Fukuoka 810, Japan

ECONOMY • by Michiyo Nakamoto

The provincial pioneer

The region can be seen as setting Japan's economic agenda as well as following it

With a gross domestic product of Y17,780bn, (\$26.45bn) and two leading cities in Fukuoka and Kitakyushu, Fukuoka prefecture is recognised by many as the economic centre of Kyushu, which lies to the south of the main island of Honshu.

In Fukuoka city, construction work will add to those landmarks, such as the Dome all-weather stadium and the Canal City retail complex, that have made Fukuoka a magnet for young people in the region.

On the waterfront, several vast development projects are taking shape. A centre

piece is an artificial island in the middle of Hakata Bay. The island will incorporate residential areas, a science park, bird sanctuary and marina, and will provide greater port capacity.

Meanwhile, in Kitakyushu, a rival metropolis to the north, the building of the city's own multi-purpose dome and artificial island has begun.

All this construction work suggests an even more dynamic Fukuoka in the years ahead.

Business leaders explain that part of the reason for the economic buoyancy is relative immunity to the collapse in Japanese assets.

Encouraged by a boom in asset prices in the 1980s, bankers in areas such as Tokyo and Osaka used property as collateral for a large

number of loans. When prices subsequently collapsed, they were left with bad debts. Kyushu, in contrast, did not experience high asset-price inflation and was therefore less vulnerable when the slump came.

"Bad loans are a thing of the past in Kyushu," says Mr Tatsuta Goto, chairman of the Fukuoka Chamber of Commerce and Industry and chairman of Nishi Nippon Bank.

At the same time, Fukuoka is benefiting from modern manufacturing plant.

"As large Japanese companies have restructured and have moved to position their manufacturing activities at the most efficient facilities, many factories have been closed in eastern Japan. But manufacturing facilities in Kyushu were built relatively recently so they are new and

have been expanded," points out Mr Hiroshi Morimoto, director of research at the Kyushu Economic Research Centre.

Nissan Motor has closed its plant in Zama, just outside Tokyo, and moved production to its state-of-the-art facility in Fukuoka.

Another reason for Fukuoka's economic vitality is its proximity to the growing economies of Asia. According to Mr Atsushi Kimura, manager of the chamber of commerce division of the prefectural government office, this increases its attractiveness to companies keen to exploit new markets.

For example, semiconductor manufacturers based in Fukuoka are able to carry out specialised work in Japan and complete assembly in south-east Asia. Geographical links to the

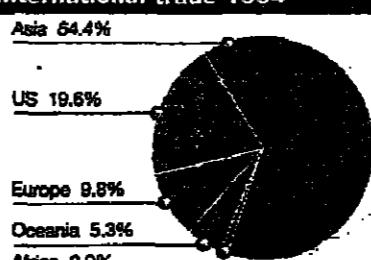
rest of Asia are helping to clinch big business deals. Samsung and Daewoo, the Korean conglomerates, are setting up offices in Fukuoka. There is hope that a new Samsung car factory in Pusan, just across the Sea of Japan, will look to procure components from Kyushu — where the presence of big Toyota and Nissan factories has led to the growth of car parts suppliers.

Small and medium-sized companies, regional banks and government bodies based in Fukuoka have all been setting up offices in Asian countries.

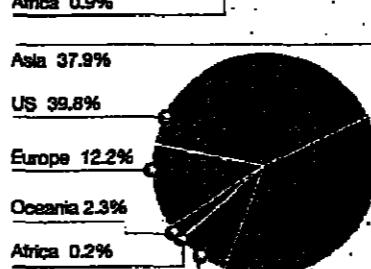
Meanwhile, a growing number of tourists from neighbouring Asian countries has increased spending at leisure parks, shopping malls and other attractions.

The business and cultural exchanges that have developed

International trade 1994

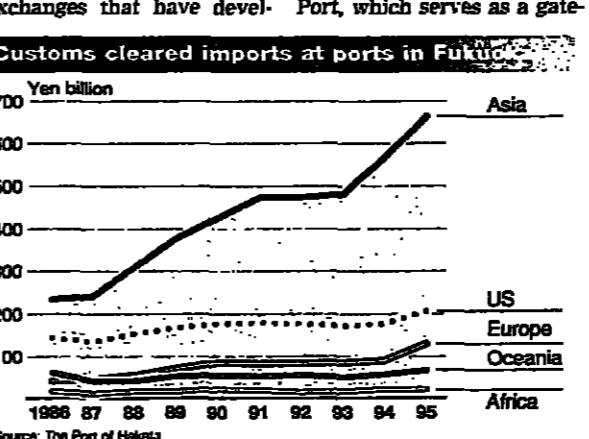
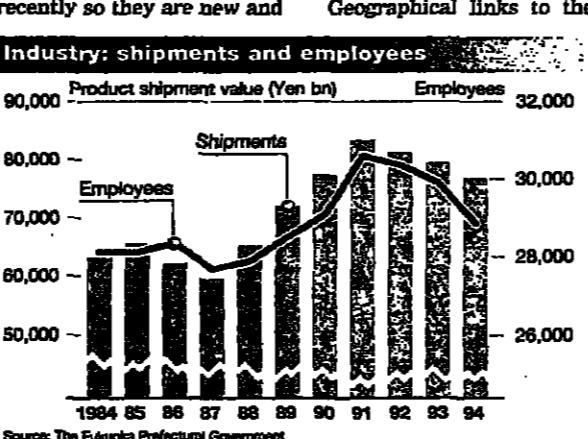
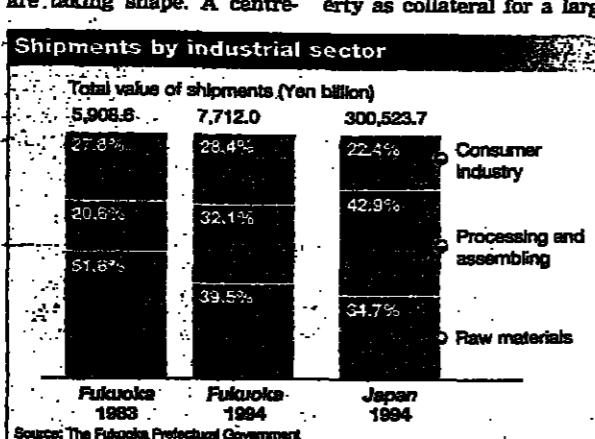


| Total imports 858.2 Yen billion | |
|---------------------------------|-------|
| Food | 22.4% |
| Machinery and equipment | 17.3% |
| Raw materials | 12.9% |
| Mineral fuels | 9.5% |
| Chemical products | 4.5% |
| Metallic mining and waste | 1.9% |
| Textiles | 0.3% |
| Others | 31.2% |



| Total exports 746.6 Yen billion | |
|----------------------------------|-------|
| Machinery and equipment | 60.3% |
| Metallic and steel products | 25.5% |
| Oil and chemicals | 9.2% |
| Non-metallic mining and products | 2.4% |
| Automobiles and their products | 1.7% |
| Others | 0.8% |

Source: Fukuoka Prefecture Trade Statistics



SMALL BUSINESSES • by Bethan Hutton

Noodle sellers out, chip makers in

New government initiatives are encouraging more start-ups in the high-tech sector

Fukuoka has a reputation as a place where new businesses thrive. Listing on the Fukuoka stock exchange has been the first step to national success for a number of companies. The best known, however, are restaurant chains and other service sector companies; in an age where software and high-tech industries are seen as the future, local authorities are hoping to change that emphasis.

One statistic that worries them is that Kyushu accounts for just 0.8 per cent of all patents registered in Japan — well below the proportion to be expected for its share of the population.

Accordingly, the Fukuoka prefectural government has announced its plan to turn Fukuoka into another Silicon Valley.

Some of the strategy is fairly standard — science and business parks, long-term loans for scientific-based venture businesses. Four science-parks have already been established in the prefecture. More grandiose, however, is the Northern Kyushu Science Cities Development Plan, which aims to link all the higher education institutes and research centres in Fukuoka and six other cities to form a high-tech network.

Traditionally in Japan

commerce and academia are seen as two separate worlds. Kyushu, which has an abundance of educational establishments, wants them to converge. "The first thing is to promote exchanges between academic circles and research institutes and businesses," says Mr Seiichi Tanaka, of Fukuoka's new industry and technology division.

Fukuoka has the second highest concentration of students in the country, after Kyoto, and many of them are at specialist technological or engineering universities and colleges — ideal material for building a Japanese Silicon Valley. However, a high proportion of graduates end up looking for work on Japan's main island of Honshu, where the largest companies are based.

Similarly, many of Fukuoka's brightest young people go away to Japan's most prestigious universities, concentrated in Tokyo and Kyoto. After graduation, they generally settle away from their home towns.

To encourage the process known locally as "u-turn" — coming home to Kyushu after working or studying elsewhere — a special scheme has been set up. Under it, postgraduate entrepreneurs aged under 35 are offered funding of Y15m for two years, and space in an "incubator" laboratory, as well as help in establishing a company.

The prefectural government is also investing directly in small venture businesses in high-tech sec-

tors. A driving force behind all these projects is the prefectural governor, Mr Wataru Aso, who was a senior bureaucrat in the Ministry of International Trade and Industry before becoming governor two years ago. One of his first acts was to implement a policy of venture business promotion, and double the 10-year investment budget to Y10bn.

This year, the prefecture has Y700m to lend to small venture companies. A third of the funding comes from the prefecture itself, and two-thirds from central government.

"The demand for investment is very high here," says Mr Kenya Ishida, head of the new industry and technology division of the Fukuoka prefectural government.

"In other prefectures where they are implementing the same policy, they have money, but do not have enough companies to invest in. We do not have enough money because so many companies request investment. I think in four or five years' time we will see a lot of companies going public or expanding into world markets."

Promoting venture capital businesses is a popular idea all over Japan at the moment, but Mr Ishida says that the difference in Fukuoka is that the local government is providing administrative support as well as money and acting as a co-ordinator between different sectors.

Central and local govern-



Pillar of the economy? Hotels and services can't support the region on their own

An ability to adapt its product range has served the 80-year-old company well. Yaskawa Electric is one of Kyushu's best-known corporate names. From humble beginnings more than 80 years ago, making basic electric motors, it has grown into a highly sophisticated manufacturer of robots and industrial electrical equipment.

Yaskawa — named after the founding family, one of whom still sits on the board of directors — was established in 1915 as part of the pre-war Meiji industrial group, but is now an independent company, listed on the first section of the Tokyo stock exchange. More than a quarter of its products are exported, and it has subsidiaries and joint ventures in Europe, Asia and the US. Its biggest product area is mechatronics, including robots, inverters and servo controllers.

Traditionally, Yaskawa supplied the heavy industries that grew up in the area now known as Kitakyushu. But as reserves of coal in the region dwindled, and Japanese costs rose, many of those industries closed or moved abroad.

This means the company has had to adapt its product range. Yaskawa

has been developing robots since the 1970s. Its Motoman series of industrial robots — the first in Japan — is continuously evolving and can be found on production lines all over the world. More recently, the company has been involved in a Japanese government-sponsored micromachining research project, as well as in the development of robots for use in fields such as medicine.

In order to provide a steady supply of qualified staff, Yaskawa founded a technical university — the Meiji Engineering Technical College. This has since become a national academic institution and has been renamed the Kyushu Engineering University, but is still one of the main sources of graduate recruits for Yaskawa. A number of other technical universities and specialist colleges has sprung up in the area to complement it.

Yaskawa's long presence in the region has also led to the growth of smaller, supplier companies. These provide components for Yaskawa or do contract work for it. The company says, however, that such a network does not amount to the kind of keiretsu (vertical conglomerate) structure that is typical of many of Japan's largest manufacturers.

Bethan Hutton

The Port of Hakata

Gateway to Kyushu

The island of Kyushu has a population of 14.7 million people and an economy worth 440 billion dollars a year.

Located in Fukuoka City, the economic and cultural center of Kyushu, the Port of Hakata acts as the doorway to Kyushu and Japan for 56 ports and 24 nations around the world.

The new harbor facilities under construction as a part of the Island City Development will further enhance the role of the Port of Hakata as one of Japan's most important international ports.



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4 FUKUOKA

COAL • by Will Dawkins

Light at the end of the tunnel?

How the closure of Miike mine, a pillar of the community, is being managed

Fukuoka, like many regions that used to host traditional basic industries, is learning to cope with change.

At the end of March, it had to make a wrenching adjustment to the advance of competitive market forces into hitherto protected corners of the Japanese economy. The residents of Omata, a small coastal town bid farewell to what had been a central part of their community for more than a century – the largest and oldest coal mine in Japan, the Miike pit.

Mitsui Coal and Mining, owners of the pit, had concluded it could not compete against cheap imported coal, after racking up losses amounting to billions of yen over many years. Imported coal comes off the boats from Australia at one third of the price of Japanese coal, which is rendered hopelessly costly to produce by the need to dig into Japan's deep and unstable deposits at wage costs that are among the highest in Asia.

Coal is just one illustration of a broader trend, known in Japan as hollowing out. Large parts of Japanese industry have been closed, or moved to cheaper locations in east Asia over the past two decades as new foreign competition has forced companies such as Mitsui and communities such as Omata to make uncomfortable choices.

Until recently, Omata's Miike mine was kept alive



Workers at Miike mine, which closed in March: all have been offered other jobs

by

and

cut prices.

After the closure of Miike, Japan will have a negligible coal industry – just two small pits, one in Hokkaido in the north and one in Nagasaki in the south, down from a peak of 680 in 1960. The demise of coal is greeted with a resigned shrug by those in the industry.

"We knew several years ago that closure was inevitable," says Mr Kenzo Yamada, general manager of the Miike coal union.

The union's attitude is remarkable given that its forerunner's resistance to job cuts led to the longest strike – 283 days – in Japanese history in 1959 and 1960.

Learning to accept the inevitable has not been easy, however. Coal has been mined, on and off, at Miike since the 15th century; coal is part of the local culture.

The mine, which opened 12 years ago, supported the race for industrial growth at the end of the 19th century, the war effort and post-war reconstruction. It was the site of Japan's worst mining accident, when 458 people died in an underground explosion in 1963. An oil painting of the tragedy hangs in the lobby of Mr Yamada's union office and almost everyone in the town knows an injured survivor.

Coal is part of the scenery in every sense, as abandoned miners' homes near Omata railway station testify. The crude economic impact of industrial decline will, as it always in Japan, be softened by generous state and company handouts. All redundant workers have been offered jobs, plus a pension worth just over half the basic wage. Those still in company housing

and cut prices.

The answer, says Mr Takashi Kurihara, Omata's mayor, is to create economically sustainable jobs, rather than, as other areas hit by industrial decline have done, throw money at more theme parks. It will by definition be a long-term project to restore the 10 per cent of Omata's economy removed by the mine closure.

The city government has accelerated a Y50bn development plan for a technology park, the conversion of the mine's seaport to general use and highway improvement. The cost is shared with central government. This might hopes Mr Kurihara, stimulate the growth of mining related business, such as environmental equipment and chemicals.

Job creation schemes of this type have many parallels in areas of industrial decline in Europe. What is strikingly Japanese about Miike is not so much what is being done to ease the shock, but how the closure has been planned meticulously over the long term.

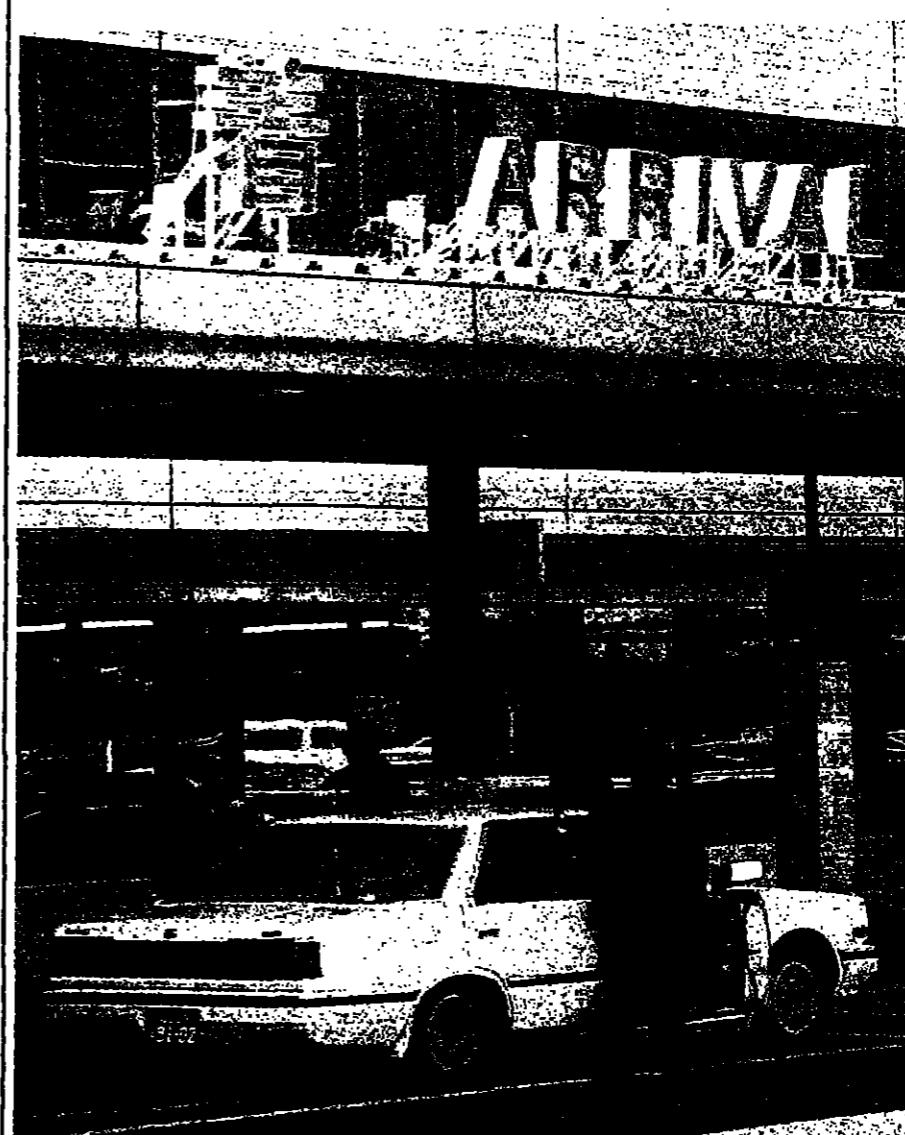


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PROFILE Pan-Asia Airlines



Fukuoka airport: obtaining flight slots is a competitive, political business

Hutchinson Library

Some turbulence before take-off

Despite the need for its services, Fukuoka's new airline has hit political barriers

Late last month, Fukuoka became home to one of Japan's rarest breeds – the new airline.

Pan-Asia Airlines, which was established by Academia International, an employee training company, is one of three new companies to be set up in Japan's highly regulated airline industry, dominated by a trio of big companies since the end of the war.

The airline is the brain-child of Mr Yoshimi Hirota, who founded Academia and is president of the new company. A former purser with Pan American Airlines, Mr Hirota was driven by the conviction that stronger ties between the Kyushu region and the rest of Asia create the need for better transportation.

"Somebody has to provide a bridge between Asian countries and Japan," Mr Hirota says. "When you look at Asia from Japan, Fukuoka is the natural place to build that bridge."

Mr Hirota noted that the problems of poor infrastructure were particularly acute for those travelling to China from Japan and Taiwan.

According to Mr Takayuki Matsu, a consultant at Sanwa Research Institute who is advising the fledgling company,

Pan-Asia Airlines can cut travelling times by offering early-morning and late-night flights from Japan to cities in China.

"Academia International has been training employees of Japanese companies who are sent to Asian countries, and they have had a problem with transportation infrastructure," Mr Matsu notes.

The supporters of Pan-Asia Airlines believe that there are also

significant gaps in the market for domestic flights.

For example, the earliest flight from Okinawa, at the southern end of the Japanese islands, to Tokyo is at 8am and does not get in until 11.30am. Were

Pan-Asia Airlines to offer a flight departing at 7.00am and arriving at 9.30am it would free up a good part of the morning for business.

Mr Matsu says,

As well as the business logic of supply and demand, there is another, more personal, reason why Mr Hirota decided to set up an airline. His job with Pan-Am had left him with a strong desire to revive the company in Japan – in spirit if not in actuality – and a belief that an airline with the management skills and the service quality of the Pan-Am would undoubtedly succeed.

"Pan-Am was a multi-national airline that had people from various countries working for it. About 1,000 employees of the company were left in Japan after the company closed and we kept in touch," he explains.

Mr Hirota saw that the start of the deregulation of the airline industry by the Ministry of Transportation was the perfect opportunity to realise his dream.

But even in Fukuoka, with its reputation for open-mindedness and its public support for venture businesses, starting an airline was difficult.

Raising funds was not the problem. Initial capital of Y150m will be provided by a group of investors, led by Mr Hirota, Mr Tatsuo Kawai, chairman of Kyushu Electric Power, and Mr Zengo Ishimura, president of Ishimura Manseido, a local confectionery maker.

The main difficulties in getting Pan-Asia Airlines off the ground have been stringent regulatory barriers and local and industrial politics.

In spite of its apparent support for deregulation, according to Mr Hirota, "the Ministry of Transport is

reluctant to allow newcomers into the market".

Winning recognition as an airline requires political lobbying while obtaining airport slots is also a very competitive, political business that must be conducted not only in Tokyo but locally as well.

The transport ministry's strict standards mean it is very difficult to hire foreign pilots, while a gentleman's agreement in the industry prohibits pilots from leaving an airline and flying for another company immediately. Pan-Asia is planning to hire foreign pilots but Mr Matsu says there are doubts about whether they will have the patience to pass the ministry's painstaking tests which, arguably, do not measure the pilot's ability to fly a plane safely.

Equipment is another problem. Although there are many used planes available cheaply in the US, the expensive business of obtaining authorisation in Japan for them cancels out any cost savings.

Local sensitivities must also be taken into account. Although Pan-Asia Airlines has taken great pains to win acceptance among the Fukuoka business community by informing as many business leaders as possible of its plans, those who have not been informed have publicly criticised the company.

"Fukuoka is open in some ways but closed in other ways," Mr Matsu notes.

Pan-Asia Airlines says that for the first year or two it will offer domestic services only; the transport ministry is being cautious about letting it enter the international market immediately.

But Mr Hirota believes the time is right for a company like Pan-Asia Airlines to succeed.

"Everybody knows Japan has to change," he says.

Michiyo Nakamoto

The prefecture's role in advanced technology

Representative companies

KITAKYUSHU

Nippon Tungsten (Magnetic head for computers, fine ceramics)

Kyushu Matsushita Electric (Kanji character word processor, printers)

Mitsubishi Electric (Total IC manufacturing)

Kansai Kasei (Ozone drugs)

Kyushu Nitrate (Fine ceramics)

Rohm Asahi (Resistors, transistors)

CHIKUGO

Apollo Electronics (Transistors)

Nichibei Denishi (Devices for education, Kyushu Matsushita Electric (Information connecting devices))

Fukuoka NEC (Assembly of IC)

Mitsui Toatsu Chemicals (Anticancer, CI chemicals)

Mitsui Metal Mining (Super hard alloy materials)

Mitsui Bisco Machinery (Remote control engine system)

CHIKUGO

Panasonic Toshiba (Assembly of IC)

Kyushu Matsushita (Floppy disc)

Modine Shigenku (Antibiotics)

* Integrated circuits

Source: The Fukuoka Prefectural Government

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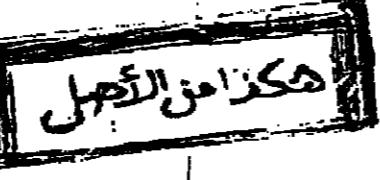
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Offshore Insurances and Other Funds



WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

INDICES

US INDICES

NYSE PRICES

4 pm close May 9

| Stock | Symbol | Vol. | P/V | 52w | High | Low | Close | Chg. | Per. | Stock | Symbol |
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| | | | | | | | | | | | |
| - V - | | | | | | | | | | | |
| VF Corp | 1.32 | 2.0 | 15 | 1130 | 75 ¹ /2 | 74 ¹ /2 | 75 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| VF Corp x | 0.52 | 1.4 | 4 | 3156 | 35 ¹ /2 | 35 ¹ /2 | 35 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vibrant Inc | 0.20 | 2.5 | | 82 | 8 ¹ /2 | 8 ¹ /2 | 8 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Videogame | | | | 14 | 40 ¹ | 20 ¹ /2 | 20 | 20 | 20 | | |
| Vincent Capital | 0.72 | 6.8 | 12 | 41200 | 10 ¹ /2 | 10 ¹ /2 | 10 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincent Ind | | | | 28 | 257 ¹ | 25 ¹ /2 | 24 | 25 ¹ /2 | -1 ¹ /2 | | |
| Vincentek | 0.38 | 0.7 | 17 | 1303 | 51 ¹ /2 | 50 ¹ /2 | 51 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincentek | 49.4387 | 30 ¹ /2 | 30 ¹ /2 | 30 ¹ /2 | 30 ¹ /2 | 30 ¹ /2 | 30 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincentek | 33 | 1545 | 51 ¹ /2 | 51 ¹ /2 | 52 ¹ /2 | 52 ¹ /2 | 52 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincentek | 1.08 | 8.0 | 0 | 26 | 13 ¹ /2 | 13 ¹ /2 | 13 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincentek | 0.32 | 2.0 | 20 | 372 | 15 ¹ /2 | 15 ¹ /2 | 15 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vincentek 5.00 | 5.00 | 7.0 | 20 | 7172 | 71 ¹ /2 | 71 ¹ /2 | 71 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 3.00 | 372 | 26 ¹ /2 | 26 ¹ /2 | 26 ¹ /2 | 26 ¹ /2 | 26 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 2612468 | 35 ¹ /2 | 34 ¹ /2 | 34 ¹ /2 | 34 ¹ /2 | 34 ¹ /2 | 34 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 0.78 | 1.6 | 28 | 257 ¹ | 45 ¹ /2 | 45 ¹ /2 | 45 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 5.00 | 8.0 | 30 | 84 ¹ | 84 ¹ | 84 ¹ | 84 ¹ | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 2.58 | 4.0 | 25 | 240 | 65 ¹ /2 | 65 ¹ /2 | 65 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Vitale Int | 1.88 | 2.7 | 12 | 1130 | 68 ¹ /2 | 68 ¹ /2 | 68 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| - W - | | | | | | | | | | | |
| Wells Ind | | 22 | 294 | 19 ¹ /2 | 19 ¹ /2 | 19 ¹ /2 | 19 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| WPA Holdings | 2.00 | 7.2 | 13 | 451 | 28 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wescon Inc | 1.20 | 12 | 788 | 26 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford | 1.80 | 2.7 | 15 | 3039 | 60 | 59 ¹ /2 | 59 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford | 0.28 | 1.8 | 22 | 256 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford | | | | 57 | 3 ¹ /2 | 3 ¹ /2 | 3 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford | 0.48 | 1.0 | 28 | 2567 | 45 ¹ /2 | 45 ¹ /2 | 45 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| WexfordCS | 0.58 | 2.1 | 15 | 384 | 27 | 26 ¹ /2 | 26 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford | 0.27 | 0.9 | 21 | 21862 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 1.52 | 1.5 | 34 | 71701 | 100 ¹ /2 | 98 ¹ /2 | 98 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 1.00 | 4.6 | 16 | 20 | 22 | 22 | 22 | 22 | 22 | | |
| Wexford Int | 1.18 | 5.0 | 14 | 268 | 24 ¹ /2 | 23 ¹ /2 | 23 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 1.08 | 3.0 | 10 | 1233 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 4.00 | 1.3 | 17 | 215075 | 36 ¹ /2 | 37 ¹ /2 | 37 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | | | | 170 | 8 ¹ /2 | 8 ¹ /2 | 8 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 0.48 | 1.7 | | 275 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | 0.88 | 2.1 | 2 | 17 | 3 ¹ /2 | 3 ¹ /2 | 3 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Wexford Int | | | | 202008 | 31 ¹ /2 | 31 ¹ /2 | 31 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.20 | 1.2 | 7 | 203 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 2.56 | 5.7 | 22 | 274 | 4 ¹ /2 | 4 ¹ /2 | 4 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.56 | 2.0 | 9 | 61 | 28 ¹ /2 | 28 ¹ /2 | 28 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | | | | 19 | 17 ¹ /2 | 17 ¹ /2 | 17 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.82 | 3.1 | 15 | 77 | 29 ¹ /2 | 29 ¹ /2 | 29 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.32 | 2.0 | 21 | 255 | 16 ¹ /2 | 16 ¹ /2 | 16 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 5.28 | 1.8 | 28 | 3778 | 27 ¹ /2 | 27 ¹ /2 | 27 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb (Deb) | 0.48 | 1.1 | 17 | 2484 | 22 ¹ /2 | 22 ¹ /2 | 22 ¹ /2 | -1 ¹ /2 | -1 ¹ /2 | | |
| Webb | | | | | | | | | | | |

NASDAQ NATIONAL MARKET

4 pm close May 9

| Symbol | Name | Price | Change | Volume | Open | High | Low | Last | Close | Stock Type | Symbol | Name | Price | Change | Volume | Open | High | Low | Last | Close | Stock Type | Symbol | Name | Price | Change | Volume | Open | High | Low | Last | Close | | | |
|--------|-------|-------|--------|--------|------|------|-----|------|-------|------------|----------|---------|---------|---------|--------|------|------|------|------|-------|------------|------------|---------|-------|--------|--------|-------|------|------|------|-------|--|--|--|
| - A - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1824 | 184.6 | 184.6 | 179.7 | +5.9 | | | | | | | Duchess | 0.72 | 16 | 20 | 13 | 13 | 13 | 13 | 13 | 13 | - | Recon | 1.21 | 114 | 115.9 | d11 | 111.2 | -1.2 | | | | | | |
| 424 | 44.4 | 44.4 | 42.5 | +1.9 | | | | | | | DynCorp | 23 | 561 | 35 | 34.4 | 35 | +1.2 | | | | | RefinCo | 1.80 | 14 | 530 | 57.3 | 57.1 | -0.6 | | | | | | |
| 3772 | 154.4 | 147.6 | 153.9 | +2.2 | | | | | | | EastWest | 13 | 290 | 164 | 153 | 153 | -1.8 | | | | | Replica | 1.55 | 116 | 116 | 112 | 116 | +1.6 | | | | | | |
| 74157 | 37.9 | 36.9 | 37.2 | +2.2 | | | | | | | EastWest | 0.24160 | 250 | 343 | 31 | 33.2 | +2.1 | | | | | Repub Ind | 1.552 | 267 | 271 | 271 | 271 | -1.6 | | | | | | |
| 6916 | 30.9 | 29.2 | 30.4 | +3.0 | | | | | | | EastWest | 0.56 | 14 | 3050 | 263 | 259 | 259 | -1.2 | | | | | ResMed | 4.58 | 416 | 375 | 416 | 416 | +1.6 | | | | | |
| 21 | 40.9 | 40.4 | 40.6 | +0.6 | | | | | | | EastWest | 29 | 20 | 35.6 | 36.3 | 36.6 | -1.2 | | | | | Restless | 1.21 | 21 | 1066 | 65.2 | 65.2 | -0.5 | | | | | | |
| 2822 | 44.4 | 42 | 43.4 | -1.4 | | | | | | | - E - | | | | | | | | | | | RoadsExpo | 0.20 | 13 | 1404 | 174 | 169 | 161 | -1.6 | | | | | |
| 221 | 11.9 | 10.5 | 11.4 | +1.4 | | | | | | | EastWest | 16 | 110 | 54 | 44 | 47 | +1.8 | | | | | Ridgeg | 0.12 | 87 | 54 | 54 | 54 | +1.4 | | | | | | |
| 290 | 7.9 | 7.9 | 7.9 | +2.2 | | | | | | | EastWest | 20 | 15 | 14 | 15 | 15 | +1.4 | | | | | Roswell | 0.68138 | 3034 | 231 | 231 | 231 | +1.4 | | | | | | |
| 1165 | 40.4 | 39.2 | 39.2 | -1.6 | | | | | | | EastWest | 0.20 | 17 | 2256 | 231 | 224 | 224 | +2.4 | | | | | Ross Sr | 0.18 | 17 | 6207 | 269 | 265 | 281 | +1.8 | | | | |
| 16189 | 25.2 | 25 | 26 | +1.6 | | | | | | | EastWest | 13 | 823 | 304 | 284 | 294 | -1.4 | | | | | RotecMed | 15 | 1093 | 154 | 15 | 151 | -1.4 | | | | | | |
| 16512 | 25.7 | 23.1 | 25.4 | +2.2 | | | | | | | EastWest | 1.27 | 11 | 40 | 52.2 | 52.2 | +1.2 | | | | | RoyalGold | 50 | 30 | 12 | 0172 | 12 | -1.6 | | | | | | |
| 1088 | 35.2 | 34.5 | 35 | +1.2 | | | | | | | EastWest | 31 | 2961 | 305 | 294 | 30 | +1.6 | | | | | RPM Inc. | 0.52 | 17 | 1542 | 172 | 173 | 174 | -1.6 | | | | | |
| 331 | 89.5 | 87.9 | 88 | +1.4 | | | | | | | EastWest | 57 | 34 | 34 | 34 | 34 | -1.4 | | | | | Ryan Finly | 12 | 3145 | 90.9 | 91 | 91 | -0.5 | | | | | | |
| 781 | 26.5 | 26.2 | 26.2 | -1.4 | | | | | | | - E - | | | | | | | | | | | - S - | | | | | | | | | | | | |
| 20 | 17 | 17 | 17 | +1.4 | | | | | | | EastWest | 100 | 20 | 184 | 175 | 182 | +1.8 | | | | | SafeCo | 1.28 | 13 | 4415 | 411 | 403 | 414 | +3.4 | | | | | |
| 31 | 40.4 | 39 | 40.4 | +1.6 | | | | | | | EastWest | 150 | 20 | 184 | 175 | 182 | +1.8 | | | | | Sanderson | 1.02015 | 37 | 15 | 141 | 15 | -1.4 | | | | | | |
| 3732 | 9.4 | 7.4 | 9 | +1.4 | | | | | | | EastWest | 20 | 11 | 11 | 11 | 11 | -1.4 | | | | | Schindler | 0.42 | 14 | 825 | 19.3 | 19 | -1.8 | | | | | | |
| 218 | 20.2 | 19.4 | 20.4 | +1.4 | | | | | | | EastWest | 227 | 21 | 2.8 | 2.8 | 2.8 | -1.4 | | | | | SCI Systm | 14 | 20 | 51.2 | 51.2 | 51.2 | -1.4 | | | | | | |
| 92 | 155.6 | 154.4 | 155.6 | -1.6 | | | | | | | EastWest | 23 | 21 | 2.8 | 2.8 | 2.8 | -1.4 | | | | | Solair | 2.31 | 5.8 | 5.2 | 5.2 | 5.2 | +1.4 | | | | | | |
| 30 | 24 | 24 | 24 | -1.4 | | | | | | | EastWest | 24 | 20 | 1.9 | 1.9 | 1.9 | -1.4 | | | | | Solair | 0.52 | 1 | 3892 | 7.9 | 7.8 | 7.8 | +1.8 | | | | | |
| 1041 | 2.9 | 2.8 | 2.8 | -1.4 | | | | | | | EastWest | 28 | 3616503 | 354 | 34 | 34 | -1.6 | | | | | ScoreBrd | 591 | 1 | 1 | 1 | 1 | -1.4 | | | | | | |
| 20008 | 53.4 | 51.2 | 52.6 | +1.8 | | | | | | | EastWest | 30 | 13 | 24.4 | 23.2 | 24 | +1.2 | | | | | Seafair | 1.20 | 210 | 32 | 32 | 32 | -1.4 | | | | | | |
| 5454 | 54.5 | 54 | 54.5 | -1.4 | | | | | | | EastWest | 54 | 5316 | 164 | 153 | 157 | +1.4 | | | | | SE Inv\$ | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 841 | 10.9 | 9.5 | 9.5 | +1.4 | | | | | | | EastWest | 454 | 5 | 45 | 5 | 5 | +1.4 | | | | | Selby | 2.31 | 5.8 | 5.2 | 5.2 | 5.2 | +1.4 | | | | | | |
| 938 | 24.4 | 23.4 | 24 | -1.4 | | | | | | | EastWest | 1810 | 11 | 10.5 | 10.5 | 10.5 | +1.2 | | | | | Sellair | 2.31 | 5.8 | 5.2 | 5.2 | 5.2 | +1.4 | | | | | | |
| 693 | 6.2 | 6.2 | 6.2 | +1.4 | | | | | | | EastWest | 0.08 | 26 | 1294 | 27.5 | 26.2 | 27.5 | +1.2 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 257 | 12.9 | 12.5 | 12.5 | +1.4 | | | | | | | EastWest | 15 | 77 | 5.3 | 5.3 | 5.3 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 2385 | 33.3 | 31.2 | 31.2 | -1.6 | | | | | | | EastWest | 1.02 | 28 | 3616503 | 354 | 34 | 34 | +1.6 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 3059 | 3.8 | 3.5 | 3.5 | +1.2 | | | | | | | - F - | | | | | | | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 17 | 82 | 80.2 | 80.2 | +1.2 | | | | | | | EastWest | 82 | 6 | 5.4 | 5.3 | 5.3 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 5440 | 21.7 | 21.3 | 21.2 | -1.4 | | | | | | | EastWest | 11 | 409 | 12.8 | 12.8 | 13 | +1.8 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 16339 | 61.6 | 59.5 | 60.2 | -1.6 | | | | | | | EastWest | 0.02 | 48 | 573 | 44.1 | 42.5 | 42.5 | +1.2 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 101 | 5.8 | 5.2 | 5.8 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 107 | 32 | 31.2 | 32 | +1.4 | | | | | | | EastWest | 4 | 211 | 12.8 | 11.4 | 11.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 140 | 35.1 | 34.4 | 35.1 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1673 | 17.2 | 17 | 17 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1689 | 26.2 | 25.3 | 25.7 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 634 | 20.4 | 19.2 | 19.4 | -1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 148 | 10 | 9.4 | 9.4 | -1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 22 | 39.4 | 38.3 | 39.4 | +1.2 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 238 | 5.5 | 5.4 | 5.5 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 431 | 34.4 | 33.9 | 33.9 | -1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 3316 | 51.1 | 49.4 | 49.4 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 6713 | 24.4 | 23.8 | 23.8 | -1.2 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 682 | 5.8 | 5.4 | 5.8 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1802 | 27.4 | 26.3 | 27.4 | +1.4 | | | | | | | EastWest | 1.16 | 22 | 1596 | 77.5 | 75.4 | 76.1 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1327 | 2 | 1.1 | 2 | +2.0 | | | | | | | EastWest | 0.74 | 21 | 51 | 51 | 51 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | | |
| 1327 | 10.4 | 10.4 | 10.4 | -1.4 | | | | | | | EastWest | 0.68 | 15 | 287 | 8.2 | 8.2 | 25.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1327 | 30.9 | 30.2 | 30.9 | +1.4 | | | | | | | EastWest | 0.68 | 15 | 287 | 8.2 | 8.2 | 25.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1327 | 1.1 | 1.1 | 1.1 | -1.4 | | | | | | | EastWest | 0.68 | 15 | 287 | 8.2 | 8.2 | 25.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1768 | 1.8 | 1.8 | 1.8 | -1.4 | | | | | | | EastWest | 0.68 | 15 | 287 | 8.2 | 8.2 | 25.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| 1763 | 17.6 | 16.6 | 16.6 | +1.4 | | | | | | | EastWest | 0.68 | 15 | 287 | 8.2 | 8.2 | 25.2 | +1.4 | | | | | Sellair | 0.24 | 18 | 215 | 22 | 214 | 214 | +1.6 | | | | |
| - B - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

AMEX PRICES

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ANSWER

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252 .31% 303 303 .14% |

MONDAY 12

Qualifying for Emu

European Union finance ministers meeting in Brussels will for the first time welcome Gordon Brown, newly-appointed chancellor of the exchequer in Britain's Labour government. Ministers are expected to agree that Finland and the Netherlands can join the list of countries on track to qualify for monetary union - which includes Luxembourg, Ireland and Denmark. Finland and the Netherlands will be taken off the list of EU countries with "excessive deficits" - those over 3 per cent of GDP - after fiscal reforms last year.

BIS reports on war gold

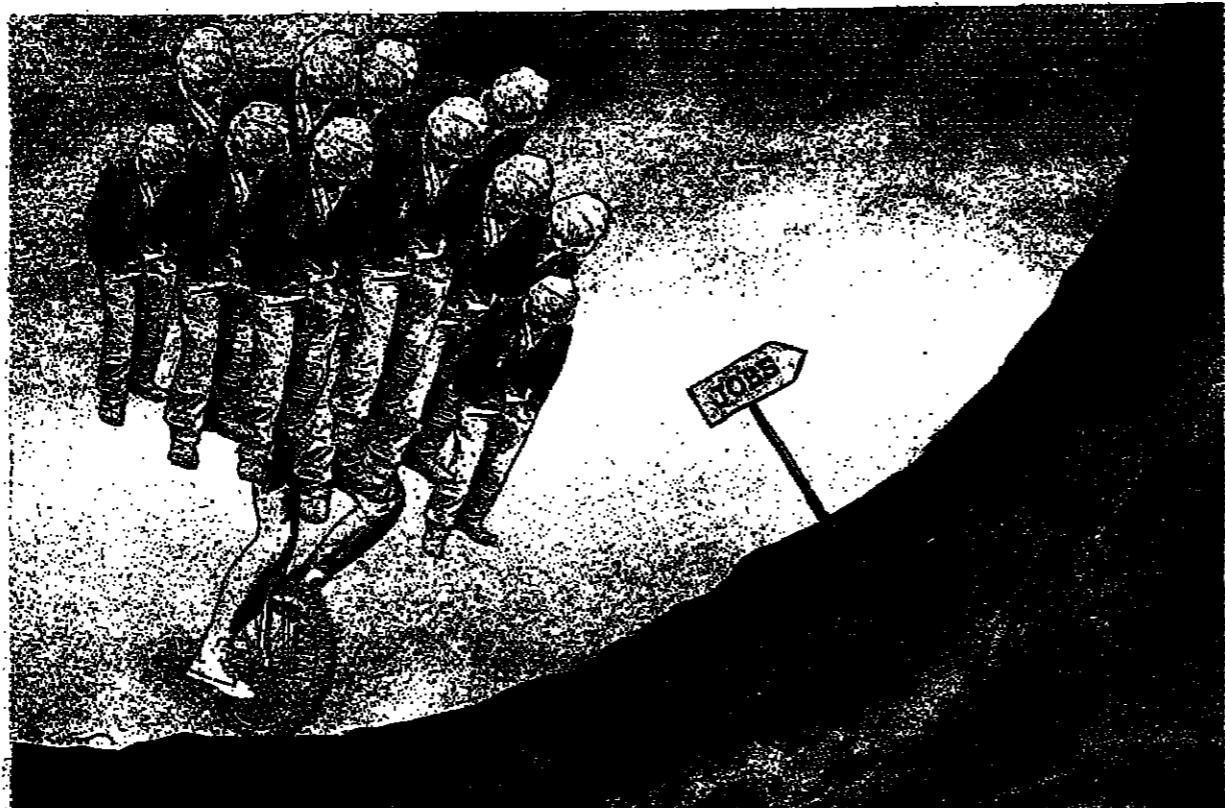
The Bank for International Settlements, owned by the world's leading central banks, will give its official explanation of its war-time gold transactions with Nazi Germany. The BIS, which continued operating in Switzerland while the armies of its members fought each other, has largely escaped the criticism levelled at the Swiss National Bank for buying gold from the German Reichsbank. When the second world war started the BIS undertook to carry out only operations which were "above reproach from the point of view of belligerents and neutrals". The report should indicate whether the world's central bankers lived up to these high ideals.

India-Pakistan meeting

The prime ministers of India and Pakistan will meet in the margins of a South Asian regional conference for the first such high-level talks between the two hostile neighbours in several years, and amid hopes of a political rapprochement between the two. Neither expects any substantive measures to improve relations beyond a commitment to further talks, likely to be held next month in Islamabad. The discussions between Mr IK Gujral, the newly-installed Indian prime minister, and Mr Nawaz Sharif, the newly-elected Pakistani prime minister, will hold in the context of the annual summit of the South Asian Association for Regional Co-operation which groups India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan and the Maldives - the summit's host.

ADB strategy

The 30th annual meeting of the Asian Development Bank is being held in Fukuoka, western Japan. Representatives of the 56 member countries start their meeting on Sunday to discuss new strategies for the bank to fund sustainable growth in the Asia-Pacific region. The informal agenda will be more controversial, involving issues such as North Korea's recently declared interest in gaining



European Trade Union Confederation hosts "Tour for jobs", starting Tuesday, when riders will cycle between Metz, France, and Brussels

ADB membership. Japan, which has growing security concerns about North Korean nuclear weapons development, has indicated it would oppose Pyongyang's early entry to the ADB.

Vietnamese visit

Vietnamese foreign minister Mr Nguyen Manh Cam is to hold talks in Tokyo with his Japanese counterpart, Mr Yukihiko Ikeda. Cam will be the first Vietnamese foreign minister to pay an official visit to Japan since October 1990 when foreign minister Nguyen Co Thach visited Tokyo. He will discuss bilateral issues including investment in Vietnam by Japanese companies and the government's aid programme. He will also speak at a symposium on the future of Asia.

Saleroom: New York

In New York tonight Christie's is offering one of the finest collections of 19th and 20th century art to appear on the market in recent years. The collection of the Wall Street financier John Loeb, who died last year, should make at least \$80m, with a Cézanne portrait of his wife expected to top \$25m and a Manet self-portrait \$20m. The Loeb sale is the highlight of the big May week of Impressionist and modern art auctions at Christie's and Sotheby's. On Tuesday Sotheby's offers a Modigliani portrait for up to \$10m and a Klimt landscape for around \$7m, while at Christie's general auction on Wednesday a Picasso nude carries a top estimate of \$7m and a Brancusi bronze might make up to \$8m. The series of sales should bring in \$300m.

FT Survey

Fukuoka

Public holidays

Israel, Western Samoa

TUESDAY 13

Nato-Russia meeting

Mr Javier Solana, the Nato secretary general, and Mr Yevgeni Primakov, the Russian foreign minister, are scheduled to meet in Moscow to negotiate a deal between Moscow and the western military alliance ahead of Nato's planned eastward expansion. Nato plans to invite some eastern European states to join at its Madrid summit in July; the Nato-Russia pact is intended to assuage Moscow's concerns about the alliance's eastward enlargement.

Australian budget

Australia's Liberal-National coalition government delivers its second budget since returning to power in 1996 after 13 years in the political wilderness. Its first budget emphasised cost-cutting and fiscal restraint, and was greeted by angry protests. This time the theme is likely to be repeated, but in a much more modest fashion. Analysts expect an additional A\$3bn of savings to be announced, and are looking for forecasts of a big "headline" surplus in 1997/8.

Murdoch on the media

Media tycoon Mr Rupert Murdoch is due to speak in Tokyo at the 31st world congress of the International Federation of the Periodical Press on "Mass Communication in the 21st Century". Mr Murdoch's visit will generate much interest in Japan, not least because of a scheduled press

conference later the same day, at which he is expected to announce the expansion of JSky, the Japanese arm of his satellite broadcasting business.

FT Surveys

Macao, Egypt

WEDNESDAY 14

Labour's reforms

The centre-piece of the Queen's speech, which outlines 18 months of legislation comprising 22 separate bills, will be

legislation to increase UK ministers' control over under-performing schools. The government is to set up a national regional network of development agencies, similar to those in Scotland and Wales, will also be introduced. A competition bill aimed at limiting cartels and price-fixing agreements is likely to be included. Mr Tony Blair, prime minister, has indicated he wants two bills passed before the summer recess - one ending the assisted places scheme for private schools and another enabling referendums on Scottish and Welsh devolution.

Presidential plans

Luxembourg, which holds the EU's rotating presidency in the second half of 1997, will present its plans at the European parliament in Strasbourg. Parliament will also debate progress on

the Intergovernmental Conference on the future shape of the EU - due to lead to the signing of a new Union treaty at next month's Amsterdam summit of European leaders.

Soccer

Barcelona play Paris St Germain in the European Cup Winners' Cup final, Rotterdam.

FT Survey

Czech Industry and Investment

Public holiday

Korea

THURSDAY 15

Chirac in China

French President Jacques Chirac starts a four-day state visit to China. Mr Chirac is to hold talks with his Chinese counterpart, Mr Jiang Zemin, and other senior Chinese leaders on international issues and ways of strengthening bilateral ties. The two countries are expected to issue a joint statement declaring a common stand on certain international issues and their desire to further expand Sino-French co-operation. They are also expected to sign agreements covering co-operation in the aerospace industry, nuclear energy and trade. In April this year, France refused to support United Nations resolutions criticising China's record on human rights but it is expected to raise the issue privately.

Americas in trade talks

Trade ministers from all over the Americas meet (to May 16) in Belo Horizonte, Brazil, to prepare the way for the planned Summit of the Americas next March in Chile. On the agenda is the creation of the Free Trade Area of the Americas, which heads of state across the region have pledged to agree by 2005. Progress will be tough: the two biggest economies, Brazil and the US, have divergent views on how to progress. The US is pushing for quick negotiations on tariffs; Brazil wants to delay that discussion into the new century.

Disarmament obstacles

The United Nations Conference on Disarmament resumes its 1997 session in Geneva with no sign of a breakthrough on its future agenda. The 61-member conference has a mandate from the UN general assembly to negotiate a ban on production of fissile materials for nuclear bombs - but the start of the talks is being blocked by developing countries which want parallel negotiations to eliminate all nuclear weapons. This demand has been rejected by the nuclear powers. For the same reason, developing countries are blocking the launch of negotiations in the UN body to ban anti-personnel landmines.

German Emu debate

The debate over Germany's fitness for European economic and monetary

union will be given new impetus with the publication of fresh official estimates of German tax revenues this year and next. The Bundestag, the lower house of parliament, will also hold a rare debate on Emu, at the insistence of the opposition Social Democratic party.

Polish bank decision

The Polish treasury is expected to make final decisions on the sale of the Warsaw-based Powazewny Bank Kredytowy (PBK), one of Poland's largest commercial banks. The government will be choosing between Samsung, the Korean industrial conglomerate, and a group of local banks and insurance companies which want to form an institution strong enough to compete with foreign banks.

FT Survey

Business of Travel

Public holiday

Paraguay

FRIDAY 16

Security relations

Mr Igor Rodionov, Russia's defence minister, is due to arrive in Tokyo for a three-day visit during which he will meet Mr Fumio Kiyama, director general of Japan's defence agency. They will discuss regional security issues and ways to strengthen bilateral security relations. Japan is trying to expand its regional security role and build better relations with Russia.

WEEKEND 17-18

Emergency calls

The Place des Nations in Geneva, Switzerland, home of the International Telecommunication Union, will take on the aspect of a refugee camp for World Telecommunication Day on Saturday. Held annually to celebrate the ITU's foundation, the theme this year is "telecommunications and humanitarian assistance". A Norwegian-made tent identical to those shipped to disaster areas will house demonstrations of the importance of telecoms to relief operations.

Organisations helping the ITU to mount the display include the Red Cross and Red Crescent and the World Health Organisation. countries are blocking the launch of negotiations in the UN body to ban anti-personnel landmines.

Public holidays

Cuba, Nauru, Norway (Saturday)

Compiled by Bob Vincent
Fax: (+44) (0)171 873 3194

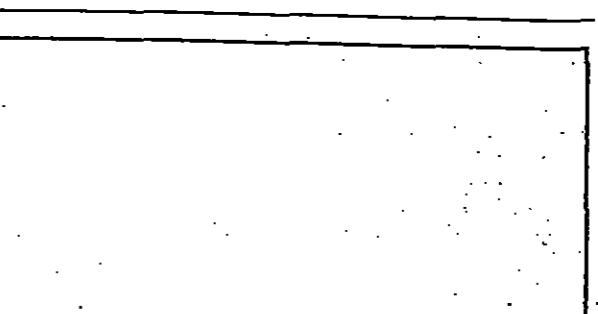
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LOTTERY PAD

ECONOMIC DIARY**Statistics to be released this week**

| Day | Released Country | Economic Statistic | Median Forecast | Previous Actual | Day | Released Country | Economic Statistic | Median Forecast | Previous Actual | |
|--------|------------------|---------------------------------------|-----------------|-----------------|--------------------|------------------|----------------------------------|------------------------------------|-----------------|------|
| Mon | UK | Apr producer price index input* | -0.4% | -0.5% | US | | Mar business inventories | 0.3% | 0.3% | |
| May 12 | UK | Apr producer price index input** | -8.2% | -7.6% | Thur | Italy | Mar industrial production** | -0.3% | 2.3% | |
| | UK | Apr producer price index output* | 0.2% | -0.1% | May 15 | Italy | Mar industrial production nott** | -2.5% | -3.8% | |
| | UK | Apr producer price index output** | 0.8% | 1% | UK | | Apr retail price index* | 0.6% | 0.3% | |
| | UK | Apr PPI ex-food, drink, tobacco** | 0.5% | 0.5% | UK | | Apr retail price index** | 2.5% | 2.6% | |
| | UK | Apr British Retail Consortium survey | 3.7% | | UK | | Apr retail price index X** | 2.6% | 2.7% | |
| Tue | | | | | US | | Apr consumer price index | 0.2% | 0.1% | |
| May 13 | Japan | Mar machinery orders ex-elec, ships** | 10.7% | 9.9% | Japan | | Apr money supply (M2 & CD)** | 2.7% | 2.7% | |
| | Japan | Mar machinery orders ex-elec, ships* | -10% | -1.6% | US | | initial claims 10 May | 336k | 347k | |
| | Italy | Mar producer price index* | 0.8% | 0.8% | US | | state benefits 3 May | | 2,315k | |
| | Italy | March wholesale price index* | 0.6% | 0.5% | US | | Apr industrial production | 0.2% | 0.9% | |
| | France | Apr consumer price index prov* | 0.1% | 0.1% | US | | Apr capacity utilization | 84% | 84.1% | |
| | France | Apr consumer price index prov** | 1% | 1.1% | US | | May Philadelphia Fed index | 7.4 | 5.7 | |
| | US | Apr retail sales | -0.3% | 0.2% | US | | Apr real earnings | | 0.1% | |
| | US | Apr retail sales ex-auto | 0.2% | 0.5% | US | | M2 wk ended 5 May | -\$2.3bn | -\$10.4bn | |
| | US | BOT-Mitsubishi 10 May | 0.6% | | Fri | US | Apr housing starts | 1,42m | 1,43m | |
| | US | Redbook 10 May | 0.2% | | May 16 | US | Apr building permits | 1,465k (t) | | |
| | Japan | Mar current account (IMF nott) | Y1,040bn | Y1,200bn | During the week... | | Germany | Apr wholesale price index* | 0.1% | 0.8% |
| | Japan | Mar trade balance (IMF nott) | Y1,300bn | | | | Germany | Apr final cost of living west** | 1.6% | |
| Wed | France | Feb current account | FFr9.5bn | FFr21bn | | | Germany | Apr cost of living pan-Germany* | 1.4% | 1.5% |
| May 14 | UK | Apr unemployment | -35k | -41k | | | Germany | Mar retail sales, real, nott** | -2.1% | -6% |
| | UK | Mar average earnings | 5% | 5% | | | Germany | Mar retail sales, real, nott** | 1% | 0.2% |
| | UK | Mar unit wages 3 mth** | 2.6% | 2.6% | | | Germany | Apr Tokyo department store sales** | 21.7% | |
| | US | Apr producer price index | unchanged | -0.1% | | | | | | |
| | US | Apr PPI ex-food, energy | 0.1% | 0.4% | | | | | | |

*month on month. **year on year. t seasonally adjusted

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MARKETING / ADVERTISING / MEDIA

SPONSORSHIP

All in a good cause – and profitable

Victoria Griffith on the growing involvement of US companies in 'cause-related marketing'

Philanthropy is great for the image. No wonder US corporations responded enthusiastically to President Bill Clinton's call for more good works at his volunteer summit last month.

Some companies believe doing good can make such a difference, they are making non-profit causes an integral part of their marketing strategy. No longer content to hand over a cheque, these groups have tied their good deeds directly to the bottom line. The idea is donations to certain non-profit-making organisations can measurably boost corporate sales.

Credit card companies are especially active in what has come to be known as "cause-related marketing". For the last four years, American Express has run a campaign for Share Our Strength (SOS), a hunger relief organisation.

During a two-month period, every time a customer buys something with American Express, the company gives three cents to SOS. Last year, the programme raised \$5m.

American Express benefits too. The company says use of its cards surges during the campaign, although it won't say by how much. "We do know that the Charge Against Hunger campaign has an influence on customers' choice of cards," says Lloyd Wirsba, general manager of the restaurant and entertainment division of American Express.

New England's Fleet Bank runs a similar programme to aid the Special Olympics for the disabled. Other companies link specific products to a special cause.

Household products group Johnson & Johnson last year launched Arthritis Foundation Pain Relievers. In return for the use of its name, the foundation received a \$1m donation from Johnson & Johnson, and gets a small share of the product's profits.

Sportswear maker Timberland has sponsored a special fashion line to benefit the City Year organisation which aids inner city teenagers. The same clothing that Timberland donates to City



Doing good: City Year volunteers at work

ently a hit with consumers in the stores.

The Chicago Bulls basketball team has just signed a deal with City Year that places the Bulls logo on Chicago volunteers' backpacks in return for \$55,000 in donation money over the next two years.

Tie-ins are becoming ever more explicit. Last year, the American Cancer Society sold endorsements to the Florida Citrus Marketers Association for \$1m, and to

makers of the NicoDerm nicotinic patch for \$3m; both can now use the name of the society in their advertising.

"Essentially, non-profit organisations are licensing their names to companies," says Kasturi Rangan, a professor of marketing at Harvard Business School. "It used to be more subtle, but it will increasingly become a routine way to do business."

"The non-profit will start to realise the value of this to the corporations and demand larger sums of money."

Non-profit making organisations like the idea. "It's good for them, but it's great for us," says Priscilla Tuan, a volunteer for City Year.

"The companies not only donate money; they also give us free advertising. If it's good for both sides, why knock it?"

"Our City Year deal is just a way for us to say we care about inner city teenagers," says David Kurland, who manages community service for the Bulls. "Our commitment to City Year is for just two years, but our commitment to the cause is for the long-term."

Timberland teamed up with City Year because its clothes are especially popular with inner-city kids. American Express says it selected an anti-hunger organisation because its card is widely used in restaurants.

While everyone seems happy with these arrangements so far, there are clear risks to such close association. With the names tightly paired, scandals could have negative repercussions for the corporate or non-profit making partner.

To guard against such mis-haps, corporations and non-

profit-making organisations agree it is important to vet partners carefully before striking a deal. And companies say it is better to identify with a general cause as well as a specific organisation.

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While these associations are clearly business transactions, marketing experts say they should also have an element of passion to make them convincing. American Express, for instance, not only gives money to SOS through its card campaign, but encourages its employees to do volunteer work. Timberland executives serve on the City Year board.

"The more sincere it is, the better it will come off in the market," says Rangan. "It can be very lucrative for both sides, but it's also a very tricky business."

Her company has launched the first range of chilled meals for babies, which at £1.29 for 175g of sweet potato and carrot with cinnamon or mushroom and sweet pepper risotto, does not come cheap.

But for parents who can afford the luxury of cook-chill meals for their babies – or who perhaps are too busy to start cooking from scratch – the range is a landmark for an industry that has always played safe.

Newcomer Mitchell has the expertise of celebrity restaurant chef Mark Hix, of Le Caprice in London, to help her develop more adventurous meals for the high-chair diner – other Hix recipes include lentil casserole and courgette risotto with banana.

The mighty Heinz and Cow & Gate companies meanwhile are going to rely on decades of experience. For Heinz, which has already launched and

MARKETING

Bringing up baby – on enfant cuisine

Subsequently scrapped the first ever range of frozen babyfood, Babies Choice, the way forward is in pasta.

Among the company's new recipes are pasta shells with chicken and mushrooms and pasta twists with tender pork, hardly leading-edge developments in infant cuisine, but a significant departure from the rice pudding and spaghetti bolognese that have been Heinz's top sellers for years.

Other innovations from the babyfood market leader include a range of purified

THE TERM 'AL DENTE' CLEARLY MEANS NOTHING TO THEM



spring water for babies containing hints of lemon and other flavours.

Cow & Gate, which is also expanding its range of organic babyfoods, believes that the developments in babyfood simply reflect the changing eating habits of parents.

The company is unveiling its new Small World range of "cosmopolitan cuisine" for the well-travelled baby of seven months and upwards. Recipes including chicken chow mein, goulash and even spicy curries.

Virginia Matthews

Stefano Hatfield · Ad in the News

More of the same

It's tough being a global airline's ad agency. Your client seeks the same positioning as all its rivals: "We fly more people to more places in greater luxury than anyone else."

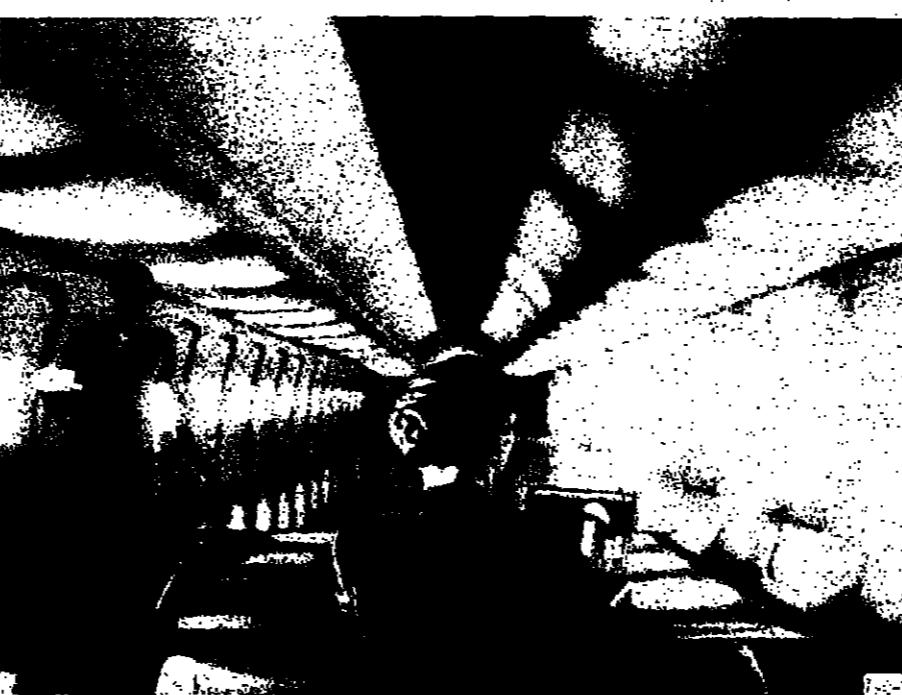
Unfortunately for American United and Delta, British Airways got there first with Saatchi and Saatchi's "world's favourite airline" campaign.

However, when in 1995 BA switched to Maurice Saatchi's new agency M & C, the other airlines had an opportunity to tap into years of first-hand competitive global experience. Delta awarded Saatchi's its \$100m worldwide account in March.

Any vaguely ad-literate viewer will not be surprised by the result. "The world's favourite" has been reborn as Delta's "on top of the world". It's a glossy and ambitious 60-second commercial designed to run across national borders, and therefore has no dialogue.

In a series of scenarios an aircraft's interior is distorted to a vast scale. A laptop-pounding businesswoman is brought coffee in a designer office; another reposes on a grassy knoll; a businessman is served lunch by a legion of chefs; a second sits in a luxury cinema; a third enjoys the sounds of a huge orchestra. All of these symbolise services available on a

The author is editor of Campaign.



On top of the world: Delta's campaign follows a familiar style



We've played in another galaxy with C-3PO. We've accompanied Superman to the planet Krypton. We've performed in scores of sci-fi movies. All in a day's work for our band of pioneers. In 1912 we were the first British orchestra to tour America. And we'll soon be back, on our Global Concert Series to the States, Europe and Japan. The tours will be sponsored by the Japanese pharmaceutical company Takeda Chemical Industries. Like us, they believe the LSO's music should reach a global audience, and even on planet Earth, that's a lot of people. Perhaps your company could join us? Talk to our Head of Development on 0171 583.1116. Meanwhile, with Takeda's backing, we're planning our next mission to the United States. We can't wait. After our conducted tour of Hyperspace, we yearn to play for Earthlings.



Living Music

Any orchestra can perform
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MUSIC

Not yet quite in tune

The music industry's enthusiasm for the Internet has faded but record labels remain convinced of its value, says Alice Rawsthorn

One of the most popular websites in Britain opens with an image of five women perching *à la* Christine Keeler on Arne Jacobsen chairs.

They are the Spice Girls, currently the UK's best-selling pop group, and each month their website generates more than 1.5m hits. The site is run by Virgin Records, the Spice Girls' label, which, like other record companies, has launched websites for most of its acts.

When the music industry started experimenting with the Internet two or three years ago, it did so in the expectation that albums and singles would, eventually, be bought and sold online.

There are still legal and technical issues to be resolved before that happens, and in the meantime record companies are limited to using it as a promotional medium.

Like companies in other sectors, the enthusiasm with which record labels first approached the Internet has faded. Having realised that maintaining websites absorbs much more time and money than they initially expected, many companies are more circumspect about it.

"I've now spent three years trying to get the Internet to work for us," says Marc Marot, managing director of Island Records, which has created sites for U2, The Orb and P. J. Harvey.

"Personally, I'm convinced that it adds value, but it's difficult to measure how much," says Marot. "And it all adds up to a lot of time and a considerable amount of money."

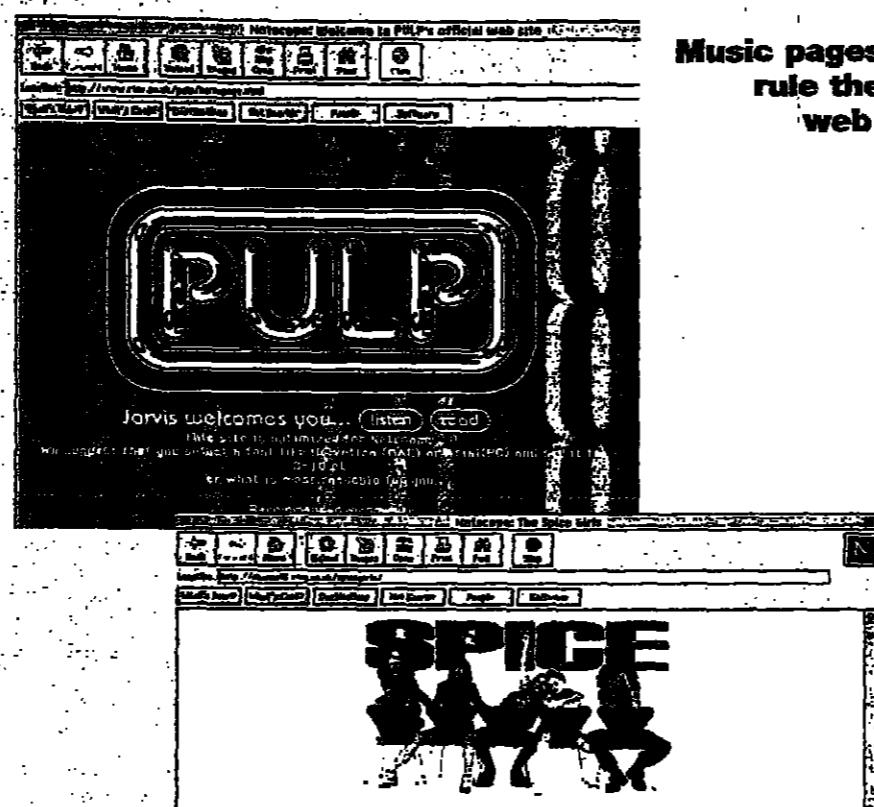
In many respects, the Internet is an ideal medium as the demographic profile of a typical "techie" matches perfectly with that of frequent record buyers.

By the time record companies started developing their own sites, thousands of unofficial ones already existed, generally launched by fans and dedicated to particular

acts or genres. The first "official" sites were fairly rudimentary, but they have become more sophisticated as technology has advanced.

"Things have improved,

Music pages rule the web



— ranging from details of forthcoming tours to showing clips from new videos — in the hope of raising their profile among prospective fans, and strengthening

features more than 50 acts on its sites including Everything But The Girl and Future Sound of London, as well as the Spice Girls. "We've introduced much more interactivity."

Another change, according to Van Emden, is that record companies have become more aware of the varying capability of different computers.

Some sites, she says, were "so clever and tricky" that they were virtually inaccessible to many home PCs.

Virgin now offers different music samples to suit various systems, and provides basic versions of its "trickiest" sites to be accessed by less powerful computers.

As expected, many of the most popular sites have been those dealing with the music likeliest to appeal to computer buffs, notably the elec-

tronic-generated sounds of dance acts, such as Chemical Brothers and the Prodigy.

More surprisingly, children have emerged as avid users of music sites, logging on at school Internet Clubs, or on their parents' computers.

Labels have also found it helpful to set up sites for esoteric genres, such as world music, jazz and classical music, which often find it difficult to secure mainstream media coverage.

It is virtually impossible to quantify the impact of websites on record sales, but they do provide a means for record executives to monitor the public's response to releases and to individual labels.

"It's incredibly helpful," says Marot, who makes an effort to go through all the e-mails sent to the Island site. "Because it's the only way we can tell what people really think about the music we're releasing."

The principal problem facing most record companies is finding the resources to maintain their websites. There are now so many sites that it is increasingly difficult to come up with distinctive concepts, and considerably more expensive to ensure that they are all regularly updated.

Most record companies call in freelances to design their websites, but can only afford to have a couple of people dedicated to working on them.

They tend to rely on the rest of their staff to supply images and information to refresh the contents. Hence the quality of the new material, and the speed with which it is delivered, varies tremendously.

Marot suspects that the best solution is for artists to run their sites themselves, as Pulp, one Island act, already does.

The problem is that other artists aren't that committed to the Internet," he says.

"They think it's interesting and quirky, but it isn't real to them — not yet."

MEDIA

The new clinging to the old

Why has Salon, a high-brow online magazine, decided to syndicate its copy to the print newspapers and magazines which new media publishers formerly disdained?

The deal, through United Feature Syndicate, is designed to augment the advertising revenues from Salon's website. But it also attests to new media's dependence on the old.

The most successful online publications and services are those heavily promoted in newspapers and television. Salon appears to have learned this lesson; it has insisted buyers of its content prominently display its web address.

Now Halsey Minor, chief executive of CNET, the leading online provider of technology news, says: "I've seen the power of crossmarketing and I am a great believer."

grammes such as CNET Central for US cable television. The publicity from these programmes gave it brand recognition when it launched its web site, which now offers technology news, advice about computers and shareware software.

Other media companies are following CNET's exam-

ples. Already ESPN, the leading sports channel on US cable television, has established ESPN Sportszone as the most trafficked sports site on the Internet. MSNBC, a joint venture between Microsoft and NBC, the software giant and the TV network, is attacking the online news business.

Newspapers are still handicapped by their reluctance to put up stories on the Internet before publication in print, a psychological barrier from which pure online media companies do not suffer. But television companies are well-placed.

Their material goes out live, so they do not run the risk of scooping themselves. As telecommunications capacity increases, and compression technology such as Progressive Networks' RealVideo improves, their content becomes easier to deliver over the Internet.

Maybe Salon should start a cable television show.

Nicholas Denton

TELEVISION

Tuned in to change

The BBC has this month quietly started to implement a controversial decision to invite outside consultants to run and completely redesign its accounting and financial systems worldwide. The deal is worth about £200m.

The BBC's board of governors has said it will review the initial phase of the deal at the end of this year before giving the green light to building a new common computer and information technology system. Then a decision will be taken on transferring 700 BBC finance staff into the new company. On March 1 an initial 90 computer support staff were transferred to MEDAS in the first phase.

The consultants are working on the design of a single, centralised computer system: "state of the art" promises EDS. It will be expected to bring with the way the BBC's six big divisions relentlessly trade with each other. It will also handle the thousands of individual payments to programme contributors.

One aim is to replace paperwork by dispensing electronic procurement cards to key programme production departments, rather like a credit card, so funds are electronically transferred, said Neil Anderson, head of BBC finance operations.

Maggie Brown

INTERNET

Dr Dilemma takes the lead

London International, maker of Durex condoms, has transformed its online marketing strategy, introducing Dr Dilemma and Online Lovers in an attempt to project a youth image.

For over a year the company has been dispensing medical advice over the Internet from its very serious - World Wide Web site.

Most advertising-led sites take their themes from campaigns in the traditional media, television and maga-

zines. The relaunched Durex site has reversed this approach; the company is to lead its advertising in all media from the Web.

Using the Internet to drive other media allows the brand managers to identify the most effective parts of the campaign — right down to the models and characters users prefer — without expensive research as the computers automatically monitor which pages users choose to click on.

Running advertising on

the Net before transferring it to television could prevent an expensive flop.

"The Web site is the focal point; other advertising will borrow from this," says Vincent Jeannard, new media manager for LIG. He sees part of the draw of the Net in its "youth" image, something the company as a whole has been trying to project.

But while "Tony Mascarone's love zone" and the Online Lover, a mixture of screen saver and e-mail from

a fantasy lover, prove the site is aimed at a younger audience, it has retained its serious side. Dr Dilemma is a real doctor, and there is a whole section devoted to sexual health. As Jeannard says: "There just isn't enough physical space to present all the information people want on the back of the packet."

James Mackintosh

Tim Jackson

Broking ensnared on Web

A couple of weeks ago, I received an odd letter. It was from E-Trade Securities, an Internet brokerage based in Palo Alto, California. "We are writing to inform you that securities regulations in the US prevent UK residents (regardless of citizenship) from establishing brokerage accounts with E-Trade Securities," the letter explained.

It went on to ask for instructions on what to do with the shares and cash in my account, and warned that unless I replied by April 18, my holdings would be liquidated and my money returned.

As it was dated the first of the month, my original thought was the letter was an April fool.

When I checked with E-Trade, however, I was told that the company was in deadly earnest. "Unfortunately, we are required by your government to close these accounts," it explained.

By automating the process of buying and selling shares over the Internet, E-Trade has built a customer base of over 150,000 clients in the US — and has created a new class of service that undercuts even the deepest of America's "deep-discount" brokerages. By denying Britons access

to the service, the British financial regulators seemed to be trying to prevent local consumers from benefiting from the lower prices and better service. What could they be thinking?

Consumer protection hardly looked like a good reason. Although fraudsters have been taking advantage of the Internet, it is the jurisdiction of the courts to deal with the issue.

It is regulated by the US Securities and Exchange Commission, and its customers have the same protection as clients of Fidelity or Merrill Lynch.

At first sight, it looked as though the British, egged on by domestic firms trying to keep a low-cost international competitor out, had decided to regulate E-Trade's British business out of existence — even though the company only offers broking services for shares and derivatives quoted on American exchanges.

According to the Securities and Investments Board, that is not what happened. An SIB spokesman explained that the Financial Services Act draws a distinction between advertising services such as stockbroking, and actually carrying them out.

To issue investment ads in Britain, or cause them to be issued, is a criminal offence unless the ads have been approved by a person

who is authorised to carry out investment business in the UK. Carrying out business from abroad for British customers, by contrast, is allowed if you have no local office and you receive unsolicited business or do not solicit it legally for business in the jurisdiction by contravening the advertising or unsolicited calls provisions of the act.

Whether publishing information in the US on the World Wide Web that can be read by British customers counts under the act as advertising or soliciting in Britain is a moot point. The spokesman said: "Our view is that if a person in the UK can pull the investment up on the screen, the ad is seen to have been issued to him in the UK."

But later he insisted: "We're not looking to try and enforce against the world the passive ads on the Internet."

In this case, the SIB's attention was drawn to E-Trade because the company put an ad in the Sunday Business newspaper. That, it seems, was E-Trade's big mistake.

The short-term moral for other electronic brokers in the US seems clear. Provided you are careful either to avoid direct advertising in Britain or you have your British ads (including any Web materials aimed at British customers) approved by a company with local authorisation, you are free

to issue the ads in the UK. If you can arrange for your activities to fall within the appropriate exclusions of the Financial Services Act, you can build a brokerage business in Britain without having a local office.

In the long term, however, two conclusions seem clear. One is that financial services seems certain to join the long list of activities whose regulation has been thrown into confusion by the Internet.

The core issue is whether a company in country A is to be considered as providing a service or issuing information in country B if a client in country B has access to them over the Internet.

Another conclusion is that there is an urgent need for government regulators or service industries to recognise each other's rules.

This is easier said than done. International trade in services has proved one of the most difficult negotiating issues in international talks — not least because regulations are often a useful way of excluding foreigners from your market.

This issue is likely to become dramatically more important over the coming two or three years as the Internet allows more and more services to be delivered across frontiers. Unless it can be sorted out, many of the benefits will fail to materialise.

tim.jackson@pobox.com

FTid - The Internet Directory

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PRAGUE

London's inaugural concert of the Prague Spring festival marks the re-opening of the Smetana Hall after restoration of its magnificent Jugendstil interior. Amongst foreign guests such as Van Cliburn (above), the musical features the cream of

Czech musical life, and for the first time includes a significant jazz element.

GLASGOW

The opera *Resurrection*, by Peter Maxwell Davies, receives its UK stage premiere on Wednesday at the Theatre Royal, in a production imported from Holland. The work, a savage parody of traditional values, was first performed in Darmstadt in 1988, but has not achieved the popularity of Maxwell Davies's other stage works.

WARSAW

The Philadelphia Orchestra, under its music director Wolfgang Sawallisch, opens a European tour at the National Theatre on Wednesday. Over the following two weeks the orchestra will visit Florence,

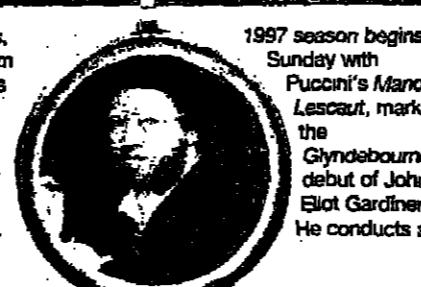
Rome, Venice, Paris, Brussels, Amsterdam and Madrid. Friday's concert in Cologne features the European premiere of Wolfgang Rihm's latest orchestral work, *Serious Song*.

BASEL

The 500th anniversary of Hans Holbein's birth is celebrated at the Kupferstichkabinett on Wednesday. Some of his finest drawings (above) are being exhibited alongside examples by Dürer and Grünewald (right). A parallel show brings together all 340 works in the city's collection. Both exhibitions run till August.

GLYNDEBOURNE

Glyndebourne Festival Opera's



1997 season begins on Sunday with Puccini's *Manon Lescaut*, marking the Glyndebourne debut of John Eliot Gardiner. He conducts a

staging by Graham Vick, with Romanian soprano Adina Ninulescu in the title role.

SALZBURG

Colin Davis brings the London Symphony Orchestra to the Grosses Festspielhaus on Saturday for three Whit weekend concerts. This is the 25th and last time that Salzburg's Whit concerts will take place in their present form. From next year, they will be given in a new concert hall at Baden-

Baden in Germany, while Salzburg hosts a baroque mini-festival.

DRESDEN

Dresden's music festival opens on Saturday with a concert conducted by Kurt Masur (left) in the Kulturpalast. The main thrust of this year's programme is Italian music of the baroque and bel canto era. There are stagings of rarely-heard operas by Paisiello, Rossini and Dittersdorf, and Dresden's churches are hosting concerts of Italian sacred music.

PARIS

On Wednesday, at the Palais Garnier in Paris, the Opera begins a run of performances of Pierre Lacotte's intriguing re-staging of *La Syphide* – with varied and fine casts which include the sublime Elisabeth Platel.

LONDON

The director Sam Mendes, who has turned his attentions before to such musicals as *Oliver!* and *Company*, now takes up a new musical, *The Fox*, by John Dempsey and Dana P. Rowe, and presents it at his Donmar Warehouse. The production opens tonight and features John Barrowman and Kathryn Evans. The live Disney show *Beauty and the Beast*, already a New York hit, opens at the Dominion Theatre tomorrow.

Opera

Traviata recovers

The doctor in *La Traviata* writes off Violetta's chances pretty smartly as did most critics for English National Opera's recent production of the opera. I was one of them, so it is heartening to find it unexpectedly being brought to life.

Put in a staff producer who is not afraid of doing away with previous silliness, hire singers who are prepared to go out and sell the opera, and with luck a good, standard performance will come out of it. This *Traviata* may not deal in carefully-considered nuances, as Jonathan Miller intended when it was new last autumn. But it is not boring, or pale, or effete, or lacklustre, as it most certainly was then.

Violetta's trendy trouser-suit in Act One has gone off to the charity shop and she now wears a black velvet gown with long gloves, like other Violettas. There were not many other ideas to dispense with, so Leah Hauseman has just moved everybody into the right place to put the drama across (not much can be done about the dull sets). It all works rather well, given a stronger-than-usual cast of singers.

Susan Patterson has made a name for herself singing Violetta around the US and her sizeable soprano pays dividends at the London Coliseum. Here is a singer who knows how to project both her voice and her personality. Her Violetta is no shrinking violet. In party mode, Patterson plays the toast of society, a knowing and manipulative contessa. Faced with a difficult future father-in-law, she could wipe the floor with most Giorgio Germonts, though Christopher Booth-Jones's bristling Victor father-figure is fortunately not one of them. Could her acting suggest the necessary fragility in the death scene? In this production she hardly has to try, as Violetta never moves from her bed. Instead we could concentrate on quiet singing with some lovely, luminous tone.

Her Alfredo is Julian Gavins, who sings with well-schooled long phrases and rises impressively to the big vocal moments. He really is not much of an actor, but ENO is probably so glad to have a tenor with top notes like these, they do not care. There is also more pace and passion than before, as Noel Davies seems to have discovered where fourth gear is since he conducted the last set of performances. All told, an unforeseen pleasure.

Richard Fairman



Making his directorial debut at Cannes: Gary Oldman (left) on the set of 'Nil By Mouth', photographed by Jack English whose prints can be seen at the Photographer's Gallery, London WC2 from June 10-27; and (right) a scene from 'Welcome to Sarajevo', directed by Michael Winterbottom

Cinema's Cinderella no more

Nigel Andrews in Cannes finds British movie makers ruling supreme amid the madness on the Med

co-writer had been employed to co-writer had been employed to to the kitchen while waging war on the city's streetwalkers. One of these (Rachel Griffiths) it so happens, is awakening new romantic fires in dad.

This funny, tender movie brought waves of applause from the audience.

Where Prasad's debut *Brothers in Trouble* showed he was a gifted miniaturist, his second movie is larger and richer with no loss in refinement.

What could have been a immin-

ent disaster for Michael Nicholson's memoir of the war, and of his own conflict between newscaster neutrality and a growing emotional investment that ended with him adopting a Bosnian child.

Stephen Dillane conveys no conflict at all, except that between his slick minimalism as an actor and the plausibly sentimental convulsions of the script.

While the bread-queue massacre and other horrors are given a graphic but brief airing, we are asked to agonise endlessly about the frontline orphange.

It is as if the problems of adults matter not a hill of beans next to those of children, whose instant appeal as victims no doubt assures the film a long box-office life while Bosnia's slain or maimed over-thirties are consigned (much as they

were on television) to oblivion.

Elsewhere it has been lottery time at Cannes. The jackpot combination of great subject and great talent that makes a masterpiece has yet to come up.

Both Marco Bellocchio's *The Prince of Homburg* and Wim Wenders' *The End of Violence* promised more than they delivered, though Wenders' star-studded fable about life and death in Hollywood is at least a beautifully-constructed plaything, with Bili Pullman, Andie MacDowell and Gabriel Byrne gazing across indoor and outdoor landscapes that are part Hockney, part Hopper.

The annual parking space for a Far East furore has been taken by those of children, whose instant appeal as victims no doubt assures the film a long box-office life while Bosnia's slain or maimed over-thirties are consigned (much as they

were on television) to oblivion. Elsewhere it has been lottery time at Cannes. The jackpot combination of great subject and great talent that makes a masterpiece has yet to come up.

Zhang Yimou, whose new film was a scheduled contender – though not any more – for the Palme d'Or.

Zhang, currently directing opera in Italy, will not be mounting the red stairs later alongside expected Cannes celebs like Sean Penn, Gene Hackman and Clint Eastwood.

East Palace, West Palace is admittedly a gasp-inducer from China, a Genet-like tale of erotic power games between a young homosexual and a police officer.

But since homosexuality is not legal in China – the government position is that it "does not exist" – it seems sad that Beijing could not have dismissed Zhang's movie as a fantasy: one of those Sci-Fi tales about a world remote from Chinese experience in which people make free decisions to live free lives in the pursuit of love, happiness and self-fulfilment.

33-1 42 44 45 46

● Philip Bride, Paul Bouffé and Jacques Rouvier: the violinist, cellist and pianist perform works by Beethoven, Schumann and Schubert; May 15

EXHIBITION

Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50

● Jaume Plensa: display of works produced by the sculptor between 1991 and 1996. Plensa uses iron but in a minimalist style that allows natural resources, particularly light, to play a major role in his pieces; to May 18

NEW YORK

Alice Tully Hall Tel: 1-212-875-5050

● Mitsuko Shirai: performance by the mezzo-soprano, accompanied by the pianist Hartmut Höll. The programme includes works by Franz, Castelnuovo-Tedesco and Pfitzner; May 13

Avery Fisher Hall Tel: 1-212-875-5030

● American Symphony Orchestra: with conductor Leon Botstein, perform works by Dvorák and Brahms; May 14

EXHIBITION

Brooklyn Museum Tel: 1-718-638-5000

● American Paintings: Ashcan and Modernist: display of works taken from the museum's own collection of paintings from the first half of the 20th century. Featured artists include Florine Stettheimer, Marsden Hartley and Georgia O'Keeffe; to Jun 29

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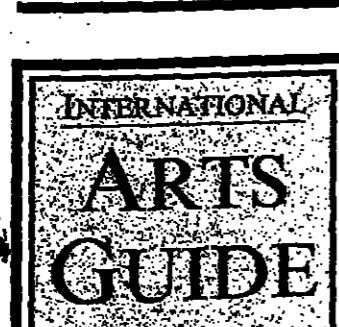
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Financial Times Business Tonight



AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345

● Borodin Quartet: with clarinettist Eduard Brunner and pianist Ludmilla Berlinskaya perform works by Prokofiev, Mozart and Shostakovich; May 16

EXHIBITION Van Gogh Museum Tel: 31-20-5705200

● Vienna 1900: Portrait and Interior: exhibition featuring paintings and applied art from Vienna, spanning the years 1870-1918. Highlights include works by members of the Wiener Secession movement (with Gustav Klimt as its most important representative) and portraits by the Expressionist artists Egon Schiele and Oskar Kokoschka; to Jun 15

CONCERT Konzerthaus Berlin Tel:

49-221-2040820

● Philadelphia Orchestra: with

CONCERT Palais des Beaux-Arts Tel: 32-2-5078200

● Orchestre National de Belgique: with conductor Barry Wordsworth and horn-player Marie-Louise Neunecker perform works by Debussy, R. Strauss and Stravinsky; May 16

EXHIBITION Hungarian National Gallery Tel: 36-1-17575333

● Magnificat anima mea dominum: display of fine art from the late Gothic period, with the restored panel painting "The Visitation", dated 1508 and signed by Master M.S., a particular highlight; to May 25

CONCERT Kölner Philharmonie Tel:

49-221-2040820

● Philadelphia Orchestra: with

CONCERT Purcell Room Tel: 44-171-9201603

● Joachim Piano Trio: perform works by Schumann, Pärt, Liszt and Schnittke; May 15

Queen Elizabeth Hall Tel:

44-171-9352141

● Stephan Genz: performance by the baritone, accompanied by the pianist Roger Vignoles. The programme includes works by Schumann and Wolf; May 16

EXHIBITION Hayward Gallery Tel:

44-171-8604242

● Material Culture: The Object in British Art of the 1980s and 90s;

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100

● Vera Martínez Mehner: performance by the violinist, accompanied by the pianist Juan Carlos Garayco. The programme includes works by Falla, Chausson, Mozart and Brahms;

CONCERT Théâtre de l'Opéra Comique Tel:

33-1-42 44 45 46

● Philip Bride, Paul Bouffé and Jacques Rouvier: the violinist, cellist and pianist perform works by Beethoven, Schumann and Schubert; May 15

EXHIBITION

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EXHIBITION

COMMENT & ANALYSIS

End of a golden era

Vanessa Houlder weighs up the claims that there is little left for scientists to discover



Horgan: science is not simply waiting for another genius

ests", citing biology and planetary exploration as examples. Mr Horgan seems loath to admit that these other interests are worthwhile.

He skates over developments in molecular biology – one of the most exciting areas of modern science. His discussion of medical advances is limited to pointing

'I think we have the basic framework in place for understanding the physical and the biological world. The rest is filling in the details'

out the disappointing progress in the treatment of cancer and casting doubt on science's ability to conquer such a complex disease.

In general, he thinks the prospects for applied science are over-rated. "I think a good case can be made that applied science, too, is rapidly approaching its limits," he says. Citing fusion energy as an example, he claims that progress in applied science will be thwarted by a combination of economic, political and technical issues.

He is also damning about the prospects for neuroscience and social science, but for different reasons. This time, his doubts are based on the premise that the subjects are just too difficult to get off the ground.

Psychology, for example, has proved intractable. "We are still arguing over Freud. There have been empirical advances in mapping the brain, but it doesn't add up to a clear picture," he says.

The End of Science, John Horgan. Little, Brown. £19.99.

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He is fiercely critical of science for its failure to understand and provide improved treatments for mental illness.

Mr Horgan is convinced that the problem does not lie with the limitations of today's scientists – science is not simply waiting for another towering genius such as Einstein to come along. Indeed, he believes that the calibre of scientists is better than it has ever been, in much the same way that modern athletes are able to break the records of their precursors.

In Mr Horgan's view, the problem is that the best minds in science have run out of things to discover. "The smartest people in the world are working away on things that don't have any connection with reality," he says.

Their preoccupation themselves with speculative concepts such as "superstring theory", "parallel universes" and the "Gaia hypothesis". These are all examples of what Mr Horgan dubs "frivolous science", which has more in common with literary criticism, philosophy and theology than empirical science.

The claim that there are no real, worthwhile issues left to be explored in science sounds disconcertingly like an echo of concerns raised at the end of the last century, although Mr Horgan does not accept the comparison.

Moreover, the claim that science has reached the end of the road smacks of arrogance, given the extraordinary brilliance required to foresee the future of science.

As Mr Philip Anderson, the Nobel laureate, put it in a review of Mr Horgan's work: "Normal science... can be described as a search for answers, great science as a search for questions, the greatest science as a search for the form the answers may take."

Yet Mr Horgan denies the charge of hubris. The belief that science will continue indefinitely is itself a sign of our inborn vanity, he claims.

It is far more likely, he says, that the explosion of knowledge and technology that has marked this century is "an anomaly that will – must – end".

Psychology, for example, has proved intractable. "We are still arguing over Freud. There have been empirical advances in mapping the brain, but it doesn't add up to a clear picture," he says.

The End of Science, John Horgan. Little, Brown. £19.99.

LETTERS TO THE EDITOR

Number One, Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 873 5528 (please set the "time" to "fine"), email: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

UK role should be to counteract Franco-German tandem in EU

From Professor S.A. George

Sir, John Kampfner ("Not quite triangular, but less edgy", May 8) appears to interpret the comments of Klaus Kinkel, the German foreign minister, following his first meeting with Robin Cook, the new British foreign secretary, as a mild snub to what are reported to be British aspirations to join Germany and France in a triangular leading role in the EU. In fact, it is more likely that Mr Kinkel was simply showing sensitivity to the concerns of the governments of the other 12 member states of the EU, among which there is suspicion of

the emergence of any *dirigeante* of large states.

Mr Cook and his deputy,

Mr Douglas Henshaw,

would be well advised to

share this sensitivity, and to

eschew the language of tri-

angular relationships and

leadership. Such diplomatic

successes as Britain

achieved in the EU under

the Conservative govern-

ment were usually the result

of working together with

other member states to coun-

teract the influence of the

Franco-German tandem, and

this remains the best option

for achievement of British

interests within the EU.

Unfortunately, there are voices within the Foreign Office which still cling to the remnants of the "illusion of grandeur" that served us so badly in Europe in the past, and now argue that we should "play with the big boys" and not tolerate interference from smaller states. This is incompatible both with the supposed British respect for the independence of all member states and with the effective achievement of UK objectives.

S.A. George,
department of politics,
University of Sheffield,
Northumberland Road,
Sheffield S10 2TU, UK

Flaws arising from Bank independence

From Mr Patrick Dennis

Sir, As a long-time oppo-

nent of central bank inde-

pendence, especially in my

former role as a chief econo-

mist in a leading interna-

tional bank, I feel I should

point out that this policy

measure is not the panacea

to the control of inflation in

the same way that ERM mem-

bership was not.

The arguments for central

bank independence are well

rehearsed. Decoupling the

setting of interest rates

boosts policy credibility and

should deliver lower infla-

tion. However, unless you

believe in pure monetarism

– ie, that inflation is always

a monetary phenomenon –

independent control of mon-

etary policy will not guaran-

tee low inflation.

Monetary and fiscal policy

must be co-ordinated to

achieve this and to have the

most effective economic

management. Unfortunately,

what has been seen in a

number of countries with

central bank independence

is that fiscal laxity is the

result of excessive monetary

tightness. This has happened

in Germany in the 1990s as

well as in the US in the early

1980s – which led to massive

overvaluation of the dollar.

Anyone who doubts that

the Bank of England will not

make the same mistakes

should recall its recomme-

nations to enter the ERM at

a higher entry level than the

UK did, and its repeated

calls for higher interest rates

in the monthly monetary

meetings between the gover-

nor of the Bank of England and

the chancellor of the exchequer.

Furthermore, will New

Labour not be tempted to

speed up and raise the budget

deficit when the level of

interest rates becomes exces-

sive?

S.K. Rao,
5 Mansfield Gardens,
London NW3 5SJ, UK

From Mr William Hodgson

Sir, If decision-making on

monetary policy should be

free from short-term political

manipulation, then the same

logic applies to taxation,

exchange rate policy, govern-

ment spending and the

inflation target.

Let's make the Bank of

England responsible for

everything economic, and

scrap all these unnecessary

meetings with politicians.

William Hodgson,
Field Cottage,
Trotton,
Petersfield,
Hampshire GU3 5JN, UK

The pursuit of Maastricht

criteria is already constraining

economy activity in

Issue openly discussed

FINANCIAL TIMES

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Monday May 12 1997

The looting of Zaire

The decades-long looting of Zaire by President Mobutu, spelt out in today's FT, raises some uncomfortable questions for his western sponsors, bankers, and business partners.

For years it has been clear that Mr Mobutu, his family and cronies were stealing western aid funds, government revenues and the export earnings of Zaire's state-owned mineral businesses.

Yet western governments turned a blind eye. They preferred to support Mr Mobutu as a bulwark against what was seen as the threat posed by the former Marxist regime in neighbouring Angola.

They cannot claim ignorance. Mr Erwin Blumenthal, a senior official at the Bundesbank who became director of Zaire's central bank, pointed the finger in 1979 and again in 1982. In reports to the IMF, he made clear that corruption was the central feature of life in Zaire, and that the president was directly to blame. Yet the fund continued to lend to Zaire at an accelerating pace.

The lesson for the multilateral financial institutions is to trust the judgments of their staff, and to avoid allowing political considerations to shape lending policies.

There is a broader question for the international community, however. What should be done to ensure that kleptocrats

- thieving rulers - surrender their ill-gotten gains? The wealth they have stolen and hidden abroad belongs to the citizens they have exploited; yet when their regimes are overthrown it is often extremely hard to reclaim the money.

Perhaps what is needed is an international convention on the restitution of such thefts. This would make it easier to find ways round bank secrecy laws, providing agreed procedures for identifying and reclaiming the profits of kleptocracy. The UN might wish to ask the Bank for International Settlements to draft such a convention.

With or without such agreements, private sector bankers and business managers will continue to face the dilemma of whether to deal with corrupt regimes. There is rarely anything illegal in such transactions, for kleptocracies can create their own legal title to the assets they misappropriate.

But legal constraints are not the only considerations in business; ethics matters too. The principle that *pecunia non olet* - money does not smell - is only a short-term defence. In the long run, financial institutions which accept money without scruples damage their own reputations, and weaken confidence in the international financial system. Bankers should think twice before doing business with kleptocrats.

Asia's tests

So much ink has already been split on the roots of East Asia's development "miracle". Many will wonder whether the Asian Development Bank needed to produce another hefty tome on the subject, "Emerging Asia: Changes and Challenges", released yesterday at the bank's annual meeting in Japan. The conclusions of the report as to the causes of Asia's economic success are familiar. However, it does bring welcome attention to the challenges the continent will face in the years ahead.

First will be tackling poverty. The "Asian Tigers", after all, are a select bunch. In 1965, average GDP per person in Hong Kong, South Korea, Singapore and Taiwan was only 17 per cent that of the US. By 1990, it was 57 per cent. But large parts of Asia - and a great many Asians - have not seen anything like this improvement. Most striking, average GDP per head in Bangladesh, India, Pakistan and Sri Lanka in 1990 was still only 8% per cent that of the US in 1990, the same as it had been in the mid-1960s.

As the report notes, around 1bn people, or one-third of the Asian population, live in poverty: more than in Latin America and sub-Saharan Africa combined. Moves under way to open up some of these economies and encourage faster, labour-intensive growth will do a great deal. But there is also room for more direct anti-poverty efforts, including "micro-credit" institu-

tions to ease poor people's access to credit and targeted expansion of primary education, particularly for women.

Challenge number two will be

to tackle the worst side-effect of Asia's development success - the degradation of the environment. Some 13 of the world's most polluted cities are in Asia, and the continent's natural resources are under pressure. In the past 30 years, for example, forest cover and fish stocks have been cut in half.

The report argues that such

problems will only get worse if

Asian governments do not start

valuing the environment as

other goods are valued, by

establishing clear property

rights to natural resources and

well-functioning markets. More

effective regulation and public

investment ought to support

these efforts, but they cannot

substitute for them.

A final message of the report

is broader. Every Asian country

is unique. Even among the East

Asian high performers, every

country faces a distinct set of

policy priorities in seeking to

build on its past success. But

nearly every government will

need to a long hard look at its

institutions, both public and pri-

ate. Only a handful of Asian

economies have well-developed

legal systems; yet in Asia, as

elsewhere, a transparent and

effective rule of law will be criti-

cal to continued growth. Asia

has much to be proud of - and

also much to prove.

Chess masters

This was a contest between "the best chess player in the world" and Garry Kasparov, chorused Louis Gerstner, chairman of IBM. Certainly, the match which ended in New York last night was something of an end-of-millennium milestone for computer buffs everywhere.

That Deep Blue should be able to stand up to a man regarded as one of the strongest world champions of the age is testament to the progress made by artificial intelligence and a tribute to human ingenuity. But what does it signify?

The answer lies in the question: can Deep Blue play chess? Philosophers such as John Searle of California would answer in the negative. The revamped IBM RS/6000 SP machine can consider 200 moves in a second, thanks to its 32 parallel microprocessors; it can even get its tactical program tweaked between games. But it does not know what it is doing.

Many computer scientists and most neuroscientists would say that Deep Blue is intelligent in spite of the obvious difference between biological and electronic brains. They would accept the test applied by the mathematician Alan Turing, godfather of the general purpose computer, and say that if the output of the man and of the machine is indistinguishable, then the machine is intelligent. Deep Blue's programmers

were last week playing down their prodigy's abilities. They were careful to point out that the machine is incapable of learning from its mistakes, of feeling, or of intuition. Kasparov, on the other hand, declared before the encounter: "I don't care how the machine gets there. It feels like thinking."

The human champion put his finger on it. For what will matter in the long run is not a machine can beat a person at chess - that has been on the cards for some time - but how public perceptions will be affected.

We have come to rely on computers. They process our words, store our records, fly our aircraft. So-called expert systems are processing our loan applications, diagnosing our illnesses and choosing our life partners.

If computers are to pose a threat, it will be one of our own making - to forget that intelligent machines are also essentially stupid. They have the greatest difficulty seeing the wood for the trees, telling the difference between a management goal and a soccer goal. A super-computer can barely mimic the nervous system of a mouse. Where they are useful they are extremely reliable. But they are absolutely unworthy of our trust. When it comes to questions of responsibility, humans are alone in this world - and likely to remain so.

COMMENT & ANALYSIS

The FT Interview · Lee Kuan Yew

In the mammoth's shadow

The right relationship with China is crucial to the region's future, Singapore's elder statesman tells Peter Montagnon and James Kynge

Mr Lee Kuan Yew, Singapore's elder statesman, has never been slow to offer advice to others.

He told Mr Chris Patten, the Hong Kong governor, not to annoy China. That message went unheeded. Now he offers similarly unsentimental advice to Mr Patten's successor, Mr Tung Chee-hwa: scrap all Mr Patten's reforms.

Unwelcome as it may be, Mr Lee's advice carries weight. As a statesman of Chinese descent, he can speak with authority on China. As the founder of modern Singapore, who brought his 3m people from absolute poverty to developed status in little more than a generation, he can claim some right to comment on the prospects for Hong Kong.

Singapore, a city state with great prosperity and limited political freedoms, is often seen as a blueprint for Hong Kong after it reverts to China next month. Mr Tung, like Mr Lee before him, faces the task of taking over from British colonial rule and ushering in a distinctively Asian future.

Yet, in an interview, Mr Lee stresses the differences over the similarities. While Singapore is an independent nation state, Mr Tung must retain the approval of China, Hong Kong's new sovereign master. To succeed he must "do the unpleasant things" right at the start by scrapping all reforms introduced by Mr Patten.

"If [Mr Tung] wants to govern Hong Kong without the Chinese leaders breathing down his neck, he has to assure them that China's security and political interests will not be jeopardised," he says. "Once he's got their confidence, he's in a position to stand up for Hong Kong's economic interests, because there will be conflicts of interest."

Hong Kong will thrive because China will become prosperous, he adds, though everything depends on a stable relationship between the US and China.

At 73, Mr Lee shows little outward frailty in spite of the heart problems that afflicted him last year. Always a fitness fanatic, he says he is exercising almost as vigorously as he was before the illness struck. The occasional outburst of vehemence or dismissive chuckle betrays a keen pleasure in debate, but he learned as a young barrister never to cross during cross-examination.

It does not irk him that he was once described by a British diplomat as "the most brilliant man around, though a bit of a thug". Indeed his reputation for calculating perception and brutal realism, acquired over more than three decades of government in Singapore, may explain why his views attract attention.

"If I were Tung, I would adopt laws and regulations in Hong Kong as they were pre-Patten," he says. "Anything post-Patten I would leave out. It can be done simply by an omnibus clause."

Mr Patten's democratic reforms and his bill of rights went beyond what had been agreed with the UK in the Sino-British joint declaration of 1984 and the basic law subsequently enacted by China



Helping hand: Lee Kuan Yew's unsentimental advice on Asian issues carries weight

as Hong Kong's constitution, Mr Lee says. He told Mr Patten before he took office as governor that all would be well if he kept within the spirit and the letter of the joint declaration and the basic law. "But he did not."

In contrast with its treatment of Singapore, Britain did little to prepare Hong Kong for independence. "There was no attempt to create a Hong Kong identity. If there had been, the Chinese would have stepped in. The British knew that. So Hong Kong society was left uniformed and inchoate.

Mr Patten tried to alter this, but he has not succeeded. Instead, in giving China the excuse for unpinning his reforms, he may also have given Beijing an opportunity to limit freedoms which existed even before the joint declaration.

Mr Tung, he says, is now "the critical factor". To Mr Lee, he is reserved, a quiet shipping man, but no fool. His origins in Shanghai enable him to get on with Chinese leaders from there: President Jiang Zemin, Mr Li

Lanqin, vice-premier in charge of trade, and Mr Qiao Shi, president of the People's Congress.

"He [Mr Tung] has to do all the unpleasant things early and give people a clear understanding of the basis on which he will govern," he says. "But on political-security issues, if he does not manage Hong Kong in a way that protects China's interests, I see a very difficult time for him and Hong Kong. They [the Chinese] are not going to let Hong Kong upset China politically. They use the metaphor: 'Wall water cannot disturb river water.' And Hong Kong is well water."

But if China interferes with Hong Kong, there will be trouble, he says. The US would refuse to recognise Hong Kong's separate status. "The separate quota and all the other privileges of being a separate economic unit from China will be at stake."

"My guess is that people in Hong Kong are a pragmatic lot. They know that they have to live with the People's Republic of China," he says.

"Everyone will understand that things are different. It's no longer Chris Patten pressing flesh."

"But everything depends on the US relationship with China staying on course. The US, he insists, must engage China to secure stability in the region, but it will never be able to do so properly unless it comes on the fence on Taiwan. If the US-China relationship is derailed "then everything is in trouble", he says. Singapore would probably not be as much affected as Taiwan or Hong Kong "which are more dependent on Chinese trade and investments. But every country in Asia is investing in China."

Taiwan, democratic island of 21m people regarded by Beijing as a renegade province, is the biggest threat to regional security, says Mr Lee. Washington applauds Taiwanese democracy and is one of the few countries that supplies it with weapons in spite of China's objections.

But the US has not made clear whether it would go to war against Beijing to prevent the mainland recovering the island by force. China has said it may

attack Taiwan if the island declared independence or if a foreign power - a clear reference to the US - tried to win independence for it.

If China hardens its suspicion that Washington is covertly working for Taiwan's independence, their peace in the region would become imperilled, says Mr Lee. US involvement in the Taiwan problem is providing China with an excuse to have an amphibious naval force.

On perhaps the most controversial issue of Taiwan's independence and the attitude of Mr Lee Teng-hui, Taiwan's president, he says: "Lee Teng-hui has only one consuming ambition - to have Taiwan as separate from China as possible." The belief that President Lee is insincere in his public support for reunification has led Singapore's patriotic to resolve never again to act as a mediator between Taipei and Beijing, as he did informally before Taiwan's elections last year. "I have been undercut by President Lee on a previous occasion. I have bowed out as his mediator."

On the Chinese side, Mr Lee says he is impressed by Beijing's patience with US domestic politics. On his recent visit to Washington, China's foreign minister, Mr Qian Qichen, rode above the furore over allegations of Chinese contributions to President Bill Clinton's election campaign. He left the door open for the US to pursue a policy of engagement.

The current generation of leaders in Beijing, many of whom were educated in the former Soviet Union, have few common references with the west. Faced with US hostility, it is natural for them to form what Mr Lee calls a tactical alliance with Russia.

The Russians can make it difficult for the Americans by selling sophisticated weaponry to the Chinese to make them more amphibious. The Chinese would dearly love to have them because of Taiwan, he says.

In the long run, however, the two countries are bound to come closer, Mr Lee argues. A different western-educated generation is emerging in China which offers the US its best hope. Mr Qian Ning, son of the foreign minister, wrote a book while he was a student in the US which, far from excoriating western decadence, suggests China might have something to learn from US society. Remarkably, says Mr Lee, Beijing's cultural mandarins allowed the book to be published.

In the meantime, the going could be tough. There are elements in the US determined not to see China recover Taiwan. That implies a major conflict which the US will not be able to sustain for the next two or three decades given Taiwan's proximity to China.

Japan is not a counterweight to China. Nor is south-east Asia a match for 1.2bn Chinese. The stark fact is that, if the US fails to engage with China, it will be isolated in the region because Asia will still have to deal with Beijing. The warning is characteristic and blunt. "Asia's got to live with this huge mammoth."

Financial Times

100 years ago

Foolishness Over Gold

What the Buenos Ayres

Standard does not know

about Argentina is popularly

supposed to be not worth

knowing. Therefore it is with

something like awe that we

regard the prediction of that

journal that the premium on

gold will not decline during

the next few months. "We

believe," says that journal,

"that for the next five or six

months distrust will be

rampant, and that this state

of affairs precludes any

failing tendency in the Gold

market." A striking comment

on this prophecy is that when

it was penned the gold

premium stood at 20,

whereas it is now quoted at

